

CHAPTER III

ASSESSMENT OF COUNTRY CONTRIBUTIONS

This chapter presents the Department's detailed assessment of allied and partner countries' contributions to shared security objectives. Countries are assessed according to the criteria specified in the FY 1999 Defense Authorization Act, and also according to measures and methodologies from past reports to ensure a comprehensive, balanced evaluation.

The responsibility sharing targets established by the FY 1999 Defense Authorization Act (P.L. 105-85, Section 1221) are listed below:

- Increase defense spending share of GDP by 10 percent over the previous year, or to a level commensurate with that of the United States.
- Increase military assets contributed or pledged to multinational military activities.
- Increase offsets of U.S. stationing costs to a level of 75 percent by September 30, 2000.
- Increase foreign assistance by 10 percent over the previous year, or to a level equal to at least one percent of GDP.

In addition to measuring country contributions against these short-term, "pass/fail" targets, this chapter also provides a more comprehensive assessment based on countries' *ability to contribute* and reflecting *trends* in country efforts. Also included is an assessment of military personnel and standing forces as key measures of a country's contribution to shared security objectives. Finally, although an assessment of U.S. efforts is not specified in the Authorization Act, this chapter addresses U.S. contributions for purposes of completeness and balance.

The following assessments are based on the most recent, complete, and reliable data available. Notes on uses and sources of these figures, and a country-by-country summary of selected responsibility sharing statistics, can be found in the Annex, along with a compendium of supporting data.

DEFENSE SPENDING

The Department has long maintained that any attempt to assess responsibility sharing must consider nations' contributions to the common defense in terms of their *ability to contribute*. This is a sound principle made all the more important by large differences in economic performance, population, and standards of living that exist among our allies.

Chart III-1 shows the wide range of per capita GDP in 1998 among the nations addressed in this Report -- from around \$3,000 in Turkey to over \$36,000 in Luxembourg. In light of such disparities in standard of living, "equitable" defense spending among nations may not necessarily mean that each nation should devote the same level of its national wealth to defense. That is, it may be more "fair" for nations with the strongest economies and wealthiest populations to carry a proportionately larger share of the burden of providing for the common defense.

Chart III-1 shows, however, that most of the countries addressed in this Report that have below-average per capita GDP spend above-average shares on defense (such as all of the GCC countries, Greece, Turkey, and the Republic of Korea), while most of those that have above-average standards of living, spend below-average shares of their GDP for defense (including Luxembourg, Norway, Denmark, Japan, and Germany).

Chart III-1
Defense Spending as a Percentage of GDP vs. Per Capita GDP
1998

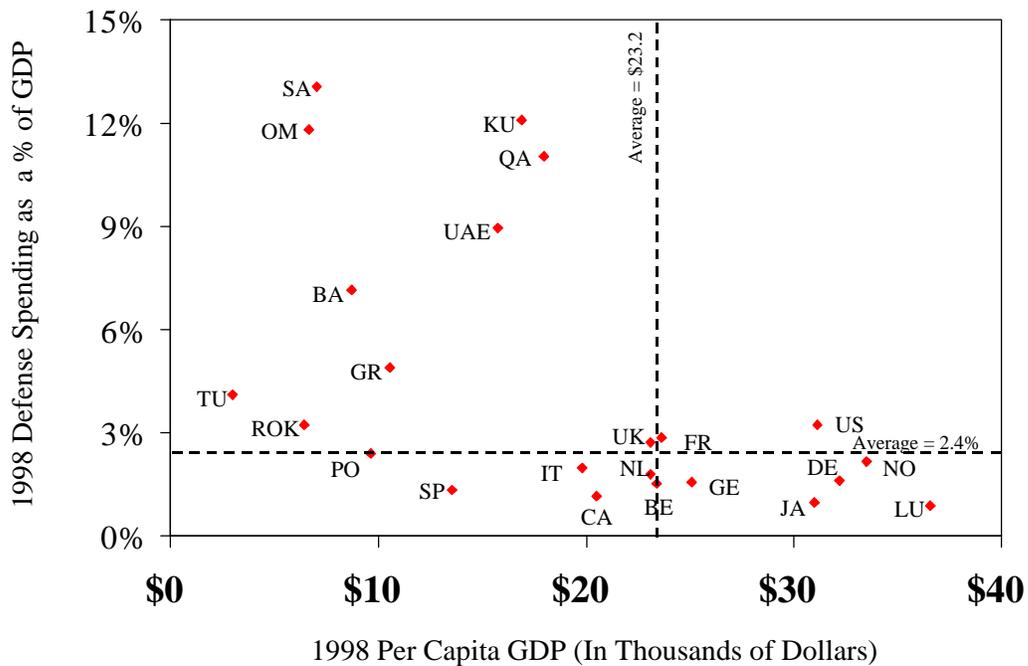


Chart III-2 depicts defense spending trends from 1990-1998 for the United States, our NATO and Pacific allies, and our GCC partners. The chart shows that over this period defense spending declines have been steepest for the United States, and that defense spending cuts by our NATO allies as a group have leveled off in recent years. Steady growth in defense expenditures is reflected for our Pacific allies and, following the Gulf War, for our GCC partners as well.

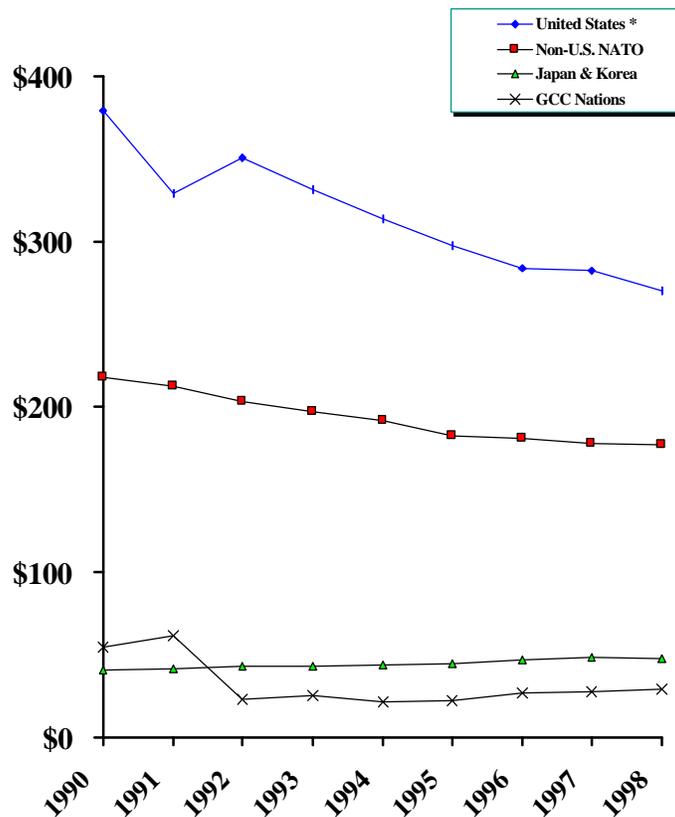
Budgetary pressures continue to strain defense programs in the United States and among our allies. Economic factors have exacerbated these pressures in Europe (rigorous European Monetary Union criteria and continuing high unemployment) and the Pacific (the ongoing financial crisis).

Excluding the GCC countries, whose defense spending in 1990-1991 was seriously distorted due to the Gulf War, combined real defense spending for nations addressed in this Report dropped by over 20 percent between 1990 and 1998, reflecting adjustments to the post-Cold War security environment. Largest declines during this period were experienced by Canada (-33 percent), Germany (-31 percent), the United States (-29 percent), the United Kingdom (-28 percent), and Belgium (-27 percent). In contrast, several nations achieved real increases in their

defense budgets over this period – the Republic of Korea (36 percent), Luxembourg (32 percent), Turkey (31 percent), Greece (21 percent), Japan (13 percent), and Portugal (1 percent).

Between 1997 and 1998, nine of the countries addressed in this Report achieved real defense spending growth, with biggest gains posted by the United Arab Emirates (49 percent), Bahrain (38 percent), and Greece (9 percent), Luxembourg (6 percent), and Turkey (5 percent). Refer to Table E-4 in the Annex for further information on defense spending trends.

Chart III-2
Defense Spending
 1998 Dollars in Billions - 1998 Exchange Rates



* NOTE: U.S. defense outlays in 1991 were artificially depressed due to large allied cash contributions credited for Operation Desert Shield/Desert Storm.

Certain expenditures outside of defense budgets also promote shared security interests, and should be recognized – such as Germany's investments in the infrastructure of eastern Germany and its financial support for economic and political reform in the new democracies in Central Europe. Nonetheless, it is essential that our allies maintain their defense budgets at appropriate levels, in order to ensure that they remain able to field effective military forces. In our discussions with allies and partners the Department continues to urge sustained efforts in this area.

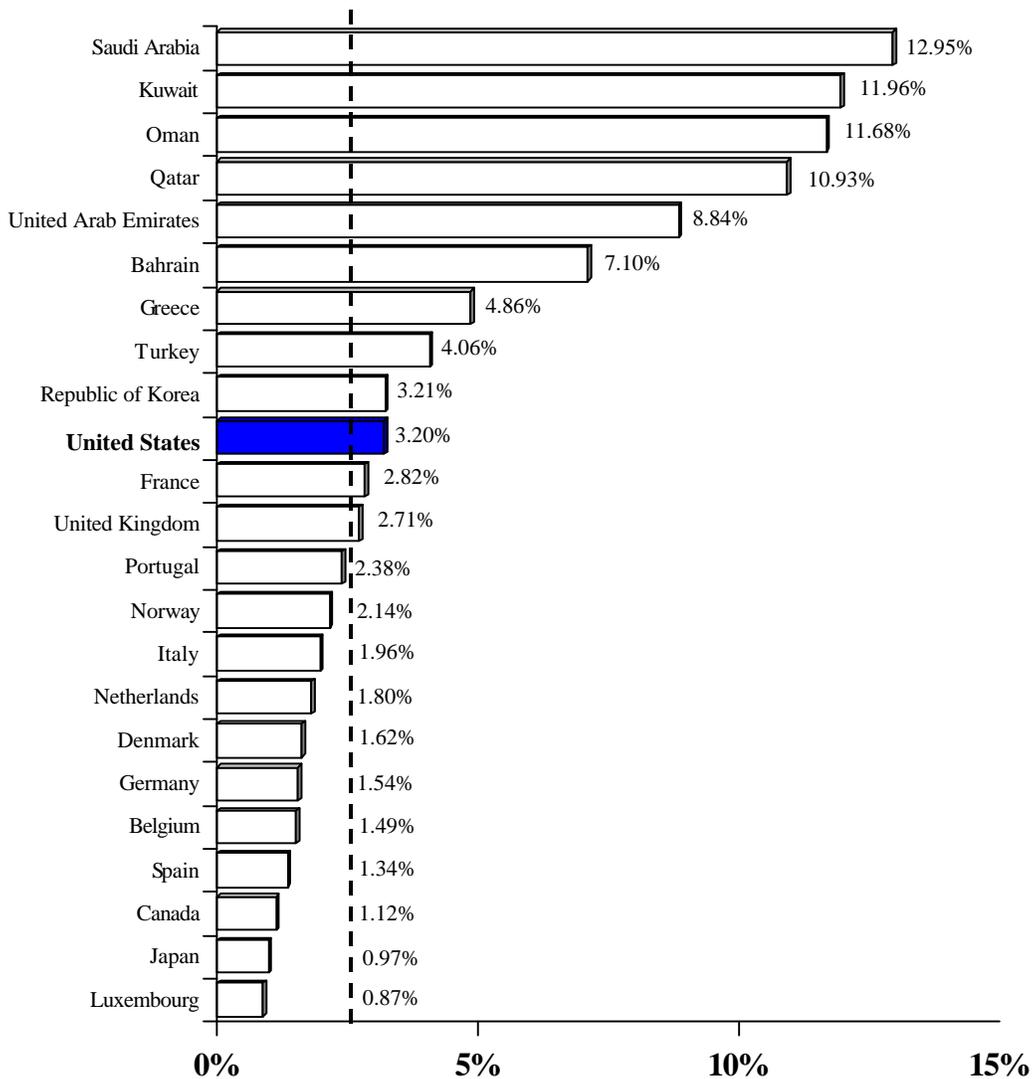
Defense Spending as a Percentage of GDP

Defense spending relative to GDP combines the most comprehensive indicator of defense effort with the most comprehensive indicator of ability to contribute. However, this indicator should not be viewed in isolation from other national contributions to shared security objectives.

Chart III-3 shows the percentage of GDP spent on defense by the United States and our allies in 1998. (Trend data since 1990 are found in the Annex in Table E-5.) The pattern reflected for 1998 remains much the same as it has been throughout the 1990s: the GCC nations, along with Greece and Turkey, spend the highest percentage of GDP on defense, while Japan, and several of our NATO allies (Luxembourg, Canada, Spain, Belgium, Germany, and Denmark) spend the lowest share of GDP on defense.

- Since 1990, U.S. defense spending relative to GDP has declined from over 5.3 percent to 3.2 percent. During this period, non-U.S. NATO defense spending relative to GDP has risen from slightly over half of the U.S. level to two-thirds.
- In 1998, Greece and Turkey once again exceeded all other NATO nations in defense spending relative to GDP, and Greece was also one of only three Alliance members that experienced growth in this indicator (6 percent) during 1998 – the others were Luxembourg (2 percent) and Norway (1 percent).
- Among NATO nations, France and the United Kingdom are consistently near the top in terms of their defense spending as a share of GDP, trailing only Greece, Turkey, and the United States in this measure in 1998. On the other hand, Germany – which ranked sixth among NATO nations in this measure at the end of the Cold War – now ranks 11th, ahead of only Belgium, Spain, Canada, and Luxembourg.
- Although the percentage of GDP that Japan spent on its constitutionally-limited defense forces remained around 1 percent in 1998, Japanese defense spending remains the third highest of all the countries in this Report, behind that of the United States and France. The Republic of Korea's defense spending in 1998, and its defense spending/GDP ratio, both declined slightly from 1997.
- The six GCC nations present a mixed picture in 1998. Four GCC nations achieved increases in the share of GDP dedicated to defense, including Saudi Arabia, which has the highest such ratio of any nation in this Report (13 percent). Ranked next are Kuwait, Oman, and Qatar, although Kuwait and Qatar experienced declines in their defense/GDP ratio in 1998. The United Arab Emirates and Bahrain registered the largest relative increases in the share of GDP dedicated to defense of any country in this Report (66 and 36 percent, respectively).

Chart III-3 Defense Spending as a Percentage of GDP 1998



Dashed line represents the defense spending/GDP ratio at which a country's share of aggregate defense spending equals its share of aggregate GDP. Countries at this level are contributing their "fair share" of defense spending. Countries above this level are contributing beyond their "fair share," and conversely.

See Annex, Section C.

The dashed vertical line shown in Chart III-3 helps address the issue of equity among countries' defense efforts, by comparing contribution with ability to contribute. The line almost intersects the bar shown for Portugal, which signifies that Portugal's share of total defense spending (contribution) is commensurate with its share of total GDP (ability to contribute). With regard to defense spending, Portugal's is thus doing roughly its "fair share" among the countries addressed in this Report. The United States and countries shown above the U.S. in this chart (the Republic of Korea, Turkey, Greece, and the GCC countries) are doing substantially more than their "fair share," with defense spending contributions in excess of their respective GDP shares by 20 percent or more. Conversely, Italy and those countries listed below it in this chart (the Netherlands, Denmark, Germany, Belgium, Spain, Canada, Japan, and Luxembourg) are doing substantially less than their "fair share." See Section C of the Annex for statistics relating countries' contributions to their ability to contribute.

Assessment of Defense Spending Contributions

In the FY 1999 Defense Authorization Act, Congress established two targets for our allies in the area of defense spending relative to GDP: increase this ratio by 10 percent compared to the preceding year, or achieve a level of defense spending as a percentage of GDP at least commensurate with that of the United States. In 1998, nine nations addressed in this Report met one or both of these targets: the United Arab Emirates and Bahrain increased their defense spending/GDP ratio by more than 10 percent in 1998, while all GCC nations, along with Greece, Turkey, and the Republic of Korea, registered shares of GDP for defense on par with or greater than that of the United States.

The targets embodied in the FY 1999 Defense Authorization Act are a sound basis upon which to assess country efforts. However, when consideration is given to ability to contribute, the United States joins the nine countries listed above in making a substantial responsibility sharing contribution in the area of defense spending (see Chart III-3).

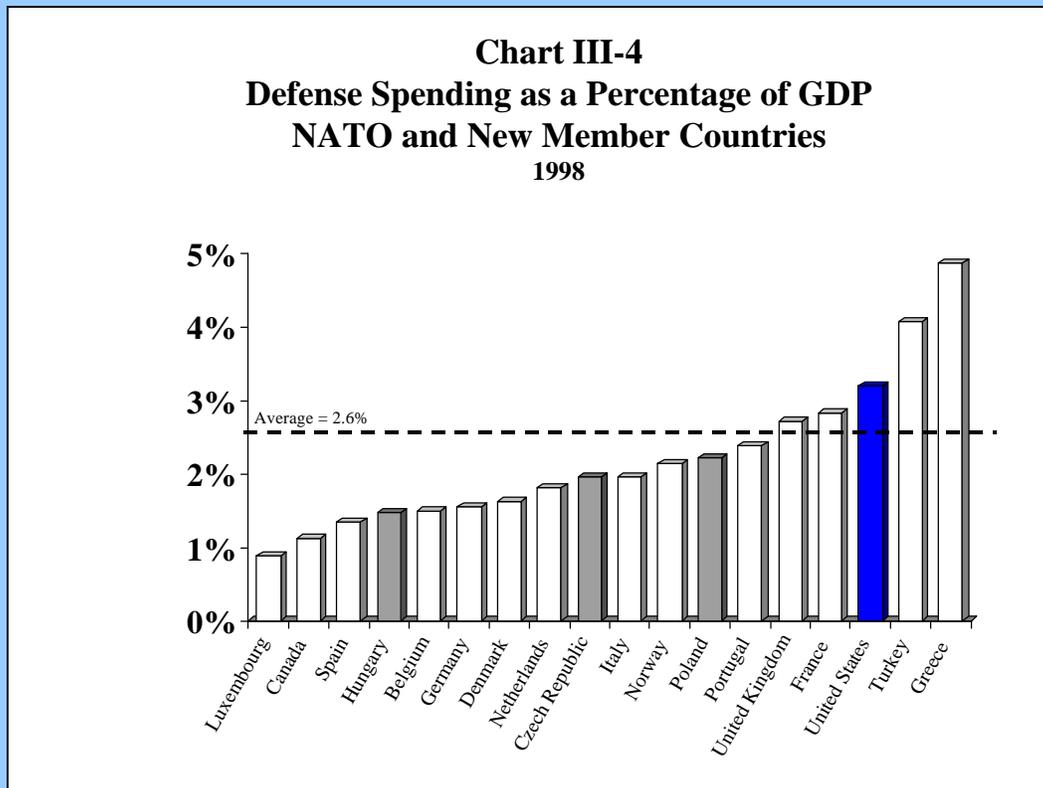
These assessments are summarized in Chart I-1 and I-2.

Contributions of New NATO Members

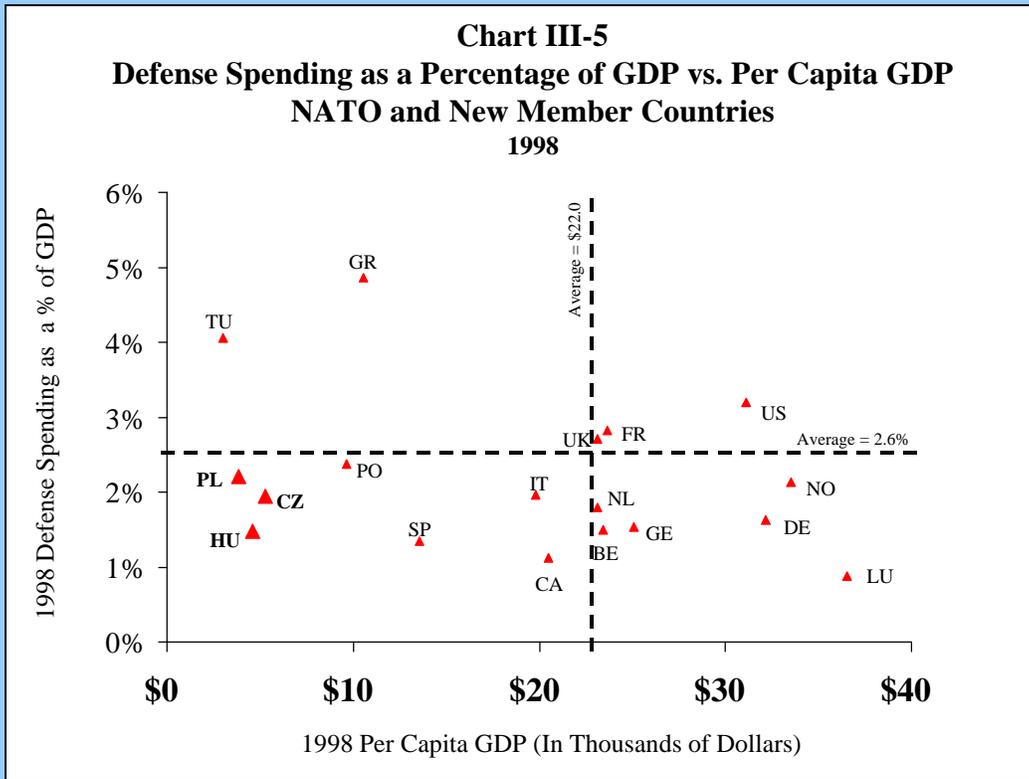
At the Madrid summit in July 1997, NATO extended invitations to the Czech Republic, Hungary, and Poland to begin accession negotiations, and in December 1997, NATO foreign ministers signed protocols of accession with the three invited nations, opening the way for national legislatures to begin ratification proceedings. As this report goes to press, the ratification process has concluded and these three nations are now NATO's newest members.

Due to the timing of their accession into NATO, the defense efforts of the Czech Republic, Hungary, and Poland will not be addressed in depth in this Report until next year's edition. However, in order to provide some context for assessing the relative defense effort of these nations, a brief comparison of their defense spending contributions and ability to contribute, relative to those of the United States and other NATO members, is presented below.

Chart III-4 is a variation on Chart III-3, comparing percentages of GDP devoted to defense for the three new members to those of the other NATO nations. The chart shows that in 1998 the share of GDP dedicated to defense for Poland and the Czech Republic exceeded that for at least half of the other allies, but remained below the NATO average.



To achieve a more balanced view of this statistic, however, it is useful to consider the added dimension of standard of living. This is done in Chart III-5, which shows for all NATO nations, including the new members, how their respective defense effort (measured by defense spending as a share of GDP) relates to their standard of living (measured by GDP per capita). This perspective reveals that the GDP share devoted to defense among the three new members is roughly equal to the share provided by a number of allies with higher (and in some cases, substantially higher) standards of living.



MULTINATIONAL MILITARY ACTIVITIES

As highlighted in the current national security strategy (October 1998), a diverse set of political, economic, and ethnic instabilities continue to threaten regions of vital strategic interest to the United States. Our strategy has three principal objectives: to *shape* the security environment, *respond* to potential crises, and *prepare* to meet future uncertainties. A key element in this integrated approach is to maintain and improve our ability, and that of our allies, to respond rapidly and multilaterally both to conventional military aggression and to lesser threats that endanger common interests. Enhancing capabilities to conduct multinational peacekeeping and humanitarian relief operations is particularly important, since operations of these types have been proliferating since the end of the Cold War. During 1998, for example, U.S. and allied military personnel served in such operations in Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Cyprus, the Golan Heights, along the India-Pakistan and Iraq-Kuwait borders, and in Lebanon, Georgia, Tajikistan, Western Sahara, Angola, Sierra Leone, and the Central African Republic.

The Department's assessment of countries' contributions to multinational military activities therefore addresses their ability to provide specialized military forces for peacekeeping and humanitarian relief operations, as well as for multinational defense missions. This assessment also considers participation in and funding for ongoing UN peace support operations.

Multinational Reaction Forces

Of the countries in this Report, our NATO allies make by far the most substantial contribution of specialized units earmarked for multinational military missions. In accordance with NATO's post-Cold War strategic concept, Alliance members have begun to develop forces that can be rapidly transported to remote theaters of operations; function despite a lack of pre-established lines of communication and host nation support; and fight effectively in multinational formations at the corps and even division level. NATO has organized these capabilities into Reaction Forces, which include multinational commands and formations such as the Allied Command Europe (ACE) Mobile Force (Land) and the ACE Rapid Reaction Corps (ARRC) (see Chart III-6) for ground forces, and the Immediate and Rapid Reaction Forces (Air). The United Kingdom is by far the largest single contributor to the ARRC, providing 2 divisions, an airmobile brigade, and the lion's share of the corps' logistical and administrative "support."

Additionally, NATO maintains standing maritime Immediate Reaction Forces in the Atlantic and the Mediterranean. The Standing Naval Force Atlantic (STANAVFORLANT) consists of 6 to 10 destroyers and frigates, with Canada, Germany, the Netherlands, the United Kingdom, and the United States each contributing 1 ship on a permanent basis. These are joined periodically by ships from Belgium, Denmark, Norway, Portugal, and Spain. STANAVFORMED is organized and operates along similar lines, with destroyers and frigates provided by Germany, Greece, Italy, the Netherlands, Spain, Turkey, the United Kingdom, and United States. NATO also maintains a standing multinational minesweeping force, Standing Naval Force Channel (STANAVFORCHAN).

NATO's Reaction Forces are intended, first and foremost, to protect Alliance territory against military aggression and other challenges to collective security. However, the recent

operations in the former Yugoslavia clearly demonstrate that NATO's Reaction Forces are capable of meeting European contingencies beyond the Alliance's borders. This capability will be enhanced as NATO's Combined Joint Task Force (CJTF) concept continues to mature.

Chart III-6
Country Contributions to ACE Rapid Reaction Corps (ARRC)

NATO Member	Maneuver Brigade Equivalents	Non-Organic CS/CSS Brigade Equivalents
Belgium	1	
Canada		
Denmark	1	0.1
Germany	3	
Greece	3	
Italy	5	1.0
Netherlands	1	0.7
Portugal	1	
Spain	3	
Turkey	3	0.3
United Kingdom	11.7	7.3
United States	3	2.7
TOTAL	35.7	12.1

France makes no contributions to NATO's Reaction Forces because its armed forces do not participate in the Alliance's integrated military command structure. However, it maintains large, well-equipped rapid-reaction formations under national command. These include the *Force d'Action Rapide (FAR)*, which comprises 1 airmobile, 1 parachute, and 2 light armored divisions, and the *Force d'Action Navale (FAN)*, made up of an aircraft carrier, 9 surface combatants, and several nuclear attack submarines and replenishment auxiliaries. Elements of the FAR and FAN have served alongside NATO Reaction Forces units during operations in the former Yugoslavia and the adjacent waters of the Adriatic Sea.

Japan and the Republic of Korea have no counterparts to the large, multinational reaction forces provided by our NATO allies. This reflects the very different security situation in Northeast Asia, the bilateral character of our security relationships with the two countries, and the fact that U.S. responsibility sharing policy in this region places greater emphasis on cost sharing than on global military roles and missions. Nevertheless, Japan agreed to assume a larger role in regional affairs in the U.S.-Japanese Joint Declaration on Security in April 1996, and the Republic of Korea has increased its contributions to collective defense through force modernization and the assumption of greater command responsibilities for combined U.S.-ROK forces.

The United States encourages its GCC security partners to strengthen their provisions for multilateral defense of the Gulf region. However, post-DESERT STORM plans to expand the GCC's standing, brigade-sized Peninsula Shield Force (which is forward-deployed near the Iraqi border in northeastern Saudi Arabia) to over 20,000 personnel have not yet been implemented, and the existing formation is not maintained at full strength. However, progress has been made in recent years toward the objective of establishing an integrated regional air defense system. The

United States is also working with the GCC to overcome impediments to closer military cooperation with other Arab nations.

In order to allow more direct comparisons among nations, and gain provide insight into what constitutes equitable contributions, Chart III-7 depicts each nation's share of multinational reaction forces (average of ground, naval, and air forces) relative to its share of GDP. Over half the nations covered had shares significantly (at least 20 percent) greater than their GDP shares, most notably Greece and Turkey. Portugal, Denmark, the Netherlands, Bahrain, Norway, Belgium, the United Kingdom, Spain, Italy, Kuwait, Qatar, and France also provided disproportionately large shares of multinational reaction forces relative to their GDP share.

Percentage changes in each country's ratio from 1997 to 1998 are also listed on the chart. These show that Germany, Greece, Luxembourg, and Turkey all achieved increases of 5 percent or more in this indicator, with several other nations registering smaller gains.

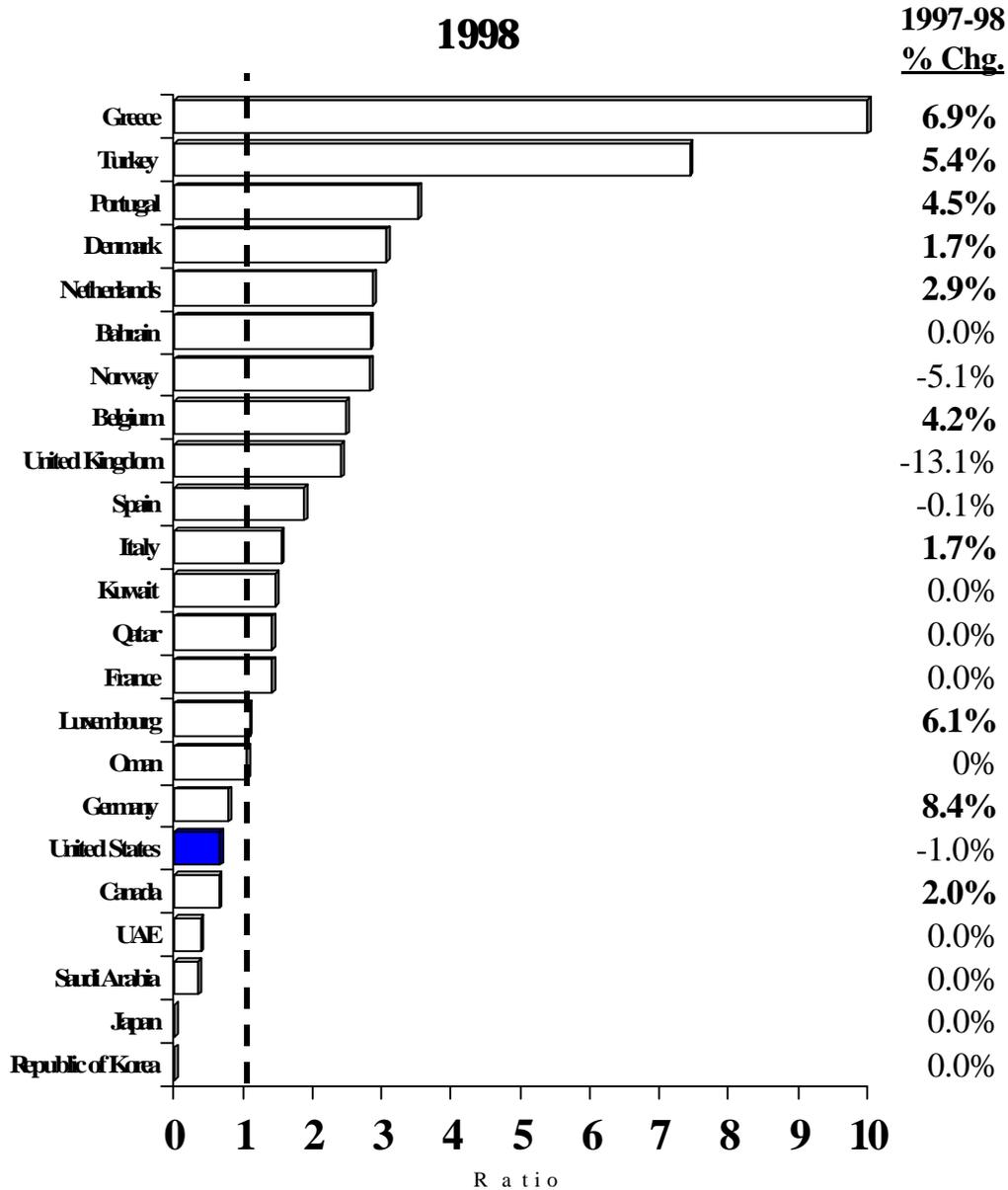
Unfortunately, Chart III-7 cannot portray ongoing efforts designed to achieve *qualitative* improvements in multinational reaction forces. Germany, for example, announced plans to establish tri-service Crisis Reaction Forces (*Krisen-Reaktions-Krafte*, or *KRK*) in 1995. The 56,000-strong *KRK* – which comprise 6 combat aircraft squadrons, 6 maneuver brigades, and a large naval contingent – are being restructured and re-equipped for rapid deployment, and will be manned exclusively by professionals and conscripts who have volunteered to serve in them.

Similar programs designed to create high-readiness, all-volunteer formations equipped and configured for rapid deployment (including beyond NATO's borders) are either planned or underway in several other NATO nations. Greece plans to transform its Army Corps B into a Rapid Reaction Force (RRF) comprising 1 marine and several mechanized brigades, a newly-established army aviation brigade, and 5 airborne and commando battalions. The Italian Army is likewise converting its 3rd Corps HQ into a Projection Forces (*Forze di Poiezione*, or *FOP*) headquarters that will command 3 all-professional brigades and the San Marco Marine Regiment.

The United Kingdom's 1998 Strategic Defense Review detailed plans to combine all deployable, high-readiness assets in the new Joint Rapid Reaction Forces (JRRF). Another planned enhancement involves the conversion of the 5th Airborne Brigade into a mechanized brigade. This will establish a force structure of 6 heavy brigades in 2 divisions, each of which will be able to maintain 1 brigade at high readiness and another in collective training, while contributing a third to contingency operations such as SFOR. The Strategic Defense Review also calls for the addition of 2,000 new regular CS/CSS personnel to enhance Britain's capability to engage in contingency operations without mobilizing large numbers of reservists.

In addition to these efforts to improve national reaction forces, NATO has created a multinational Combined Amphibious Force Mediterranean (CAFMED) in order to accelerate and coordinate the Alliance's response to potential crises in its Southern Region. Unlike STANAVFORLANT and STANAVFORMED, CAFMED is not a permanently-constituted formation. Instead, in the event of crisis it would assemble a force up of to division size (tailored to the requirements of a particular contingency) from an on-call pool of British, Dutch, Greek, Italian, Spanish, Turkish, U.S. and amphibious assets.

Chart III-7 Reaction Forces Share Relative to GDP Share



A ratio around 1 indicates that a country's contribution is in balance with its ability to contribute. A ratio above 1 suggests that a country is contributing beyond its "fair share," while a ratio below 1 means contributions are not commensurate with ability to contribute.

European Security and Defense Identity (ESDI)

Europe's progress in the direction of ever-greater political and economic integration under the aegis of the European Union (as epitomized by the recent launching of the European Monetary Union), has encouraged parallel movement toward defense integration and the development of a distinct European Security and Defense Identity (ESDI). The United States has supported this trend with the proviso that ESDI must not undermine or supersede NATO institutions and missions.

One of the first manifestations of European defense integration came in 1987, when President Mitterand and Chancellor Kohl announced plans to establish a Franco-German Brigade (which officially came into being in January 1989). The success of this experiment, and the sudden ending of the Cold War, prompted the two leaders to greatly increase the scale of their countries' military collaboration. Accordingly, in May 1992, they formally declared their intention to establish a multinational European Corps (EUROCORPS) and place it at the disposal of the Western European Union (WEU).

The WEU had been virtually dormant for decades after the adoption of the Brussels Treaty in 1948, but had been resuscitated in 1984 at the urging of France. In 1987, the WEU sent a multinational minesweeping force to the Persian Gulf during the Iran-Iraq "Tanker War," and it also contributed naval forces to the blockade of Iraq after the 1990 invasion of Kuwait. In 1992, the WEU launched a maritime interdiction effort in the Adriatic Sea to implement UN sanctions against the former Yugoslavia (Operation SHARP VIGILANCE). This was subsequently merged with a similar NATO effort into Operation SHARP GUARD.

Following a 1993 agreement with NATO's Supreme Allied Commander, Europe (SACEUR) that allowed the EUROCORPS to be subordinated to SACEUR for Article V missions and peace operations, and clarified NATO-EUROCORPS command relationships, Belgium, Spain, and Luxembourg announced that they too would contribute troops to the formation. That same year, EUROCORPS' relationship with the WEU was formalized when an EU ministerial summit in Rome agreed to place it, together with Multinational Division (Central) and the UK-Netherlands Amphibious Force, at the disposal of the WEU.

The EUROCORPS headquarters was activated in the fall of 1993, and cross-border exercises commenced the following year. The corps became operational in October 1995, with the Franco-German Brigade, French 1st Armored Division, German 10th Panzer Division, Belgian 1st Mechanized Division, and the Spanish 21st Mechanized Brigade under its command. Total EUROCORPS personnel stands at approximately 44,000, including 14,000 French, 14,000 German, 12,000 Belgian, and 3,500 Spanish troops.

In 1995, the WEU also created two new multinational formations, EUROFOR (European Force) and EUROMARFOR (European Maritime Force), as on-call (rather than permanently-constituted) formations that are to assemble military contingents tailored to the requirements of particular contingency operations. EUROFOR can draw upon about

5,000 ground troops apiece from France, Italy, Portugal and Spain to build a force of up to divisional size for peacekeeping and other contingency operations in the Mediterranean region. A permanent EUROFOR headquarters was activated in Florence, Italy in 1997.

EURMARFOR also brings together French, Italian, Portuguese, and Spanish forces, and, like EUROFOR, command rotates among the four countries. It too has a Mediterranean regional focus, and is intended to operate jointly with EUROCORPS. Although EUROMARFOR's composition is not fixed, a typical deployment might include a French aircraft carrier, 6 other combat ships, an amphibious unit (with a brigade-sized landing force), and underway replenishment vessels.

In addition to these WEU forces, a number of bi- and tri-national military formations have been created in Europe. The Benelux nations have taken the lead in this area. In 1996, they combined their fleets under a permanent, unified command, Admiral Benelux, which plans and executes virtually all operational and training activities. In that same year, the Benelux nations also created a Deployable Air Task Force (comprising Belgian and Dutch aircraft, and Luxembourgish ground troops) for use in UN, OSCE, NATO, or WEU crisis management operations. Italy and Spain plan to create a combined marine brigade, while France and the United Kingdom established the Franco-British European Air Group (FBEAG) in 1995 in order to improve their ability to plan for and conduct joint operations.

Combat Forces Available for Multinational Peacekeeping Operations

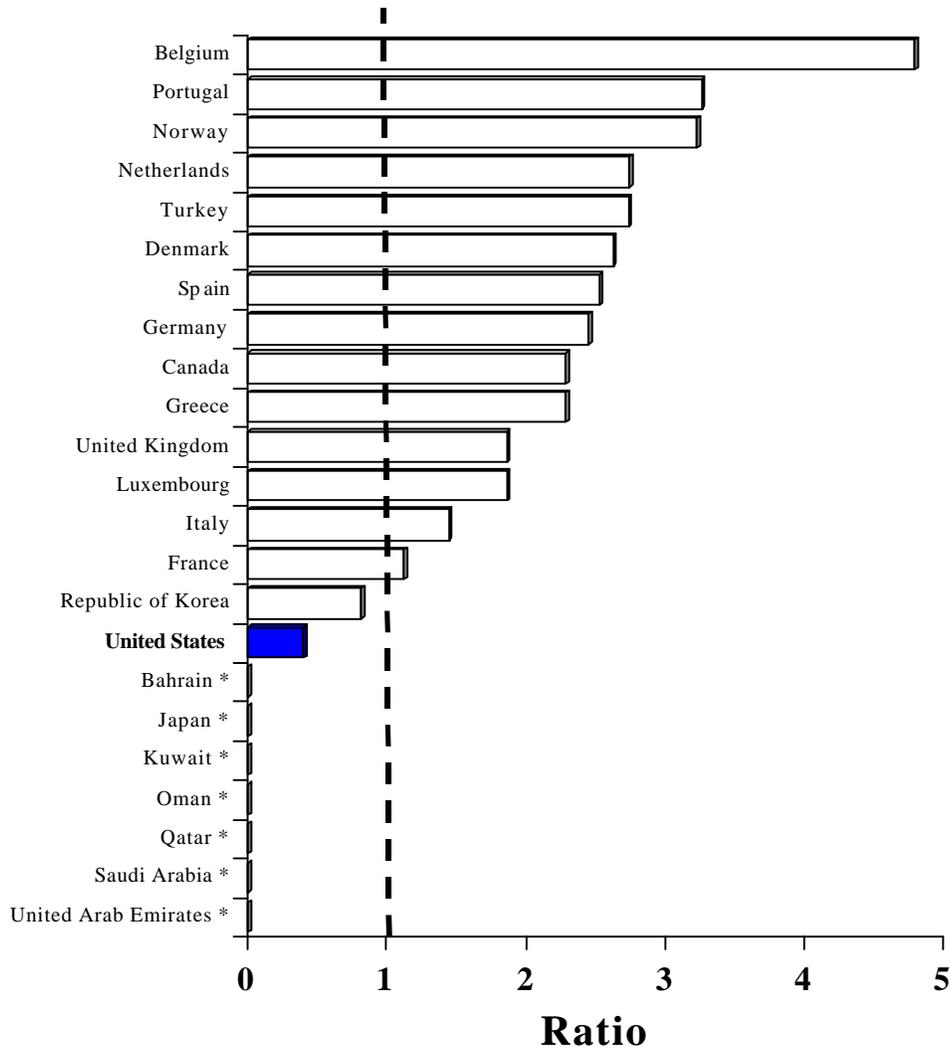
The multinational reaction forces discussed above can be, and in the case of many NATO Reaction Forces units, have been employed in multinational peacekeeping operations. However, these forces have the primary mission of defending allied territory against conventional military aggression, and this is reflected in the rapid-response forces that our allies provide. These commitments reaction forces are also generally dedicated to and structured for missions in, or in close proximity to, their home regions. In contrast, for peacekeeping and other contingency operations worldwide, allies are generally able to contribute only a subset of their rapid response formations.

Chart III-8 measures national shares of ground and air combat forces that could be made available to multinational peacekeeping missions relative to national GDP shares. This is a new indicator of nations' commitments to multinational military activities, for which data are not readily available prior to 1998. These commitments include units reported as available for WEU operations and non-Article V NATO missions, and those pledged to the United Nations under the Standby Arrangements System. As of January 1999, some 82 countries had agreed to maintain over 100,000 military personnel on standby for the UN.

The chart shows that the peacekeeping forces shares of all NATO members except the United States exceeded their shares of total GDP. Belgium stands out well above the rest, contributing a share of forces that exceeds its GDP share by a factor of almost 5. Portugal and Norway both provide forces shares that are over three times larger than their GDP shares, while those of the Netherlands, Turkey, Denmark, Spain, Germany, Canada, and Greece are all at least twice as large as their GDP shares.

Chart III-8

Share of Combat Forces Available for Peacekeeping Relative to GDP Share 1998



A ratio around 1 indicates that a country’s contribution is in balance with its ability to contribute. A ratio above 1 suggests that a country is contributing beyond its “fair share,” while a ratio below 1 means contributions are not commensurate with ability to contribute.

* According to available data, nations shown with a ratio of zero do not contribute combat forces to multinational peacekeeping operations.

For historical and constitutional reasons, Japan avoided deploying its armed forces abroad for nearly five decades. This situation has changed in recent years insofar as Japan has begun to contribute non-combatant ground units of its Self Defense Forces to UN peacekeeping operations. A small transportation unit is presently serving with the United Nations Disengagement Observer Forces (UNDOF) on the Golan Heights. However, serious obstacles remain to the deployment of Japanese combat units in multinational peacekeeping operations, and no share is reflected for Japan on Chart III-8 (which does not include non-combat ground units).

No shares appear for any of the GCC nations because they traditionally have not contributed forces to multinational peacekeeping operations, and no source reports that they have made any commitment to do so in the future.

Participation in and Funding for UN Peace Support Operations

A number of our NATO allies make very substantial contributions to UN peace support operations relative to their ability to contribute. This is shown in Chart III-9 (which depicts each nation's share of total funding contributed for peacekeeping missions compared to its share of total GDP) and Chart III-10 (which depicts each nation's share of total manpower contributed to peacekeeping missions compared to its share of total labor force).

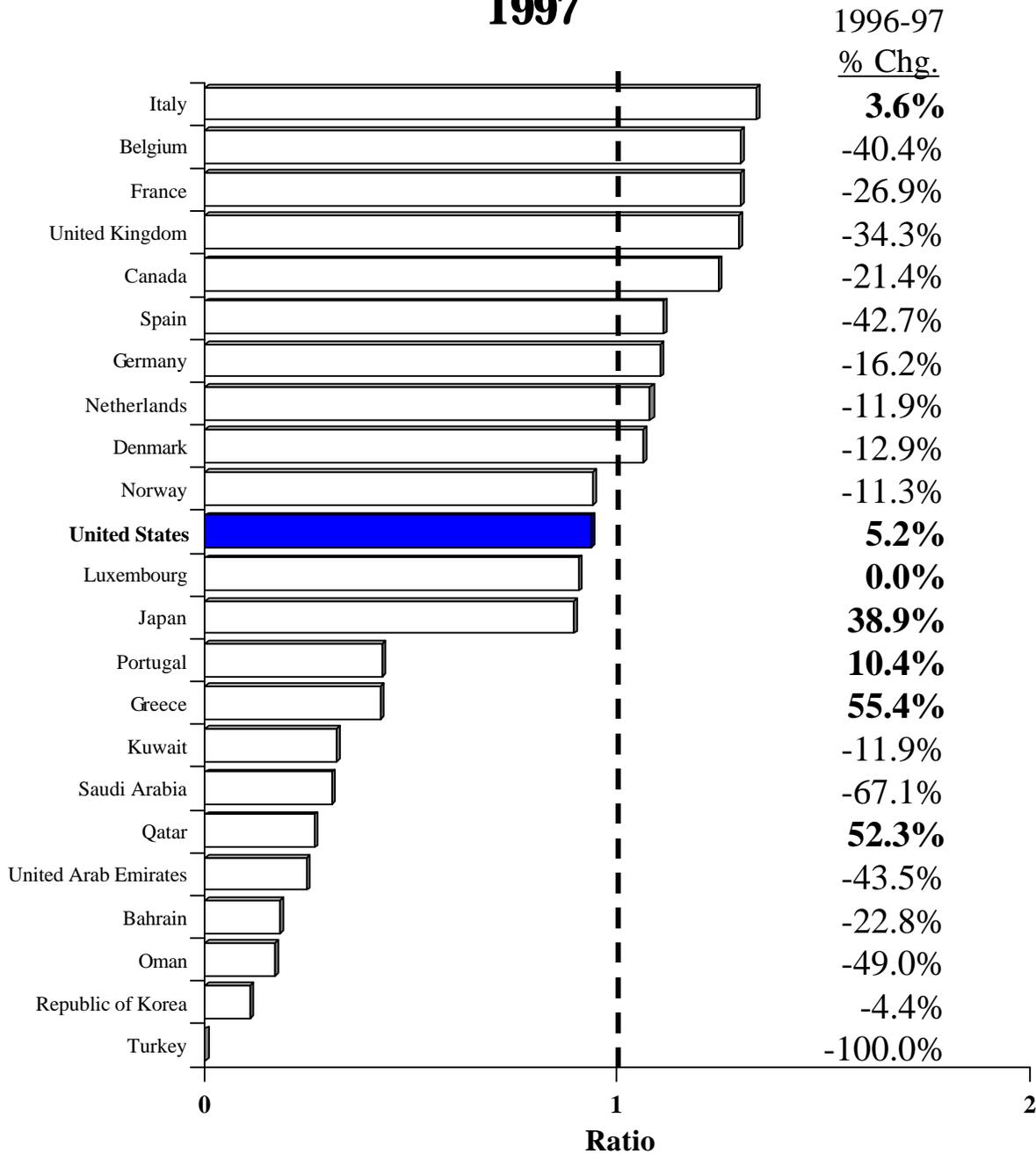
These charts indicate that the United Kingdom, Canada, and France each make funding and personnel contributions to UN peacekeeping missions that are substantially (at least 20 percent) greater than their share of GDP and labor force. Belgium and Italy also make substantial peacekeeping funding contributions relative to their GDP share. Other major contributors of peacekeeping personnel relative to ability to contribute include Norway, Denmark, Portugal, France, and the Netherlands. The funding and personnel contributions of our remaining NATO and Pacific allies are average or below par, while the level of support provided by the GCC nations is extremely low.

Compared to the previous year, only Italy registered increases in its shares of both funding support and personnel. Greece, Qatar, Japan, Portugal, and the United States achieved an increase from the previous year in their funding support. The Netherlands, Spain, and the Republic of Korea increased the number of personnel contributed to UN operations.

Chart III-9

UN Peace Support Funding Share Relative To GDP Share

1997

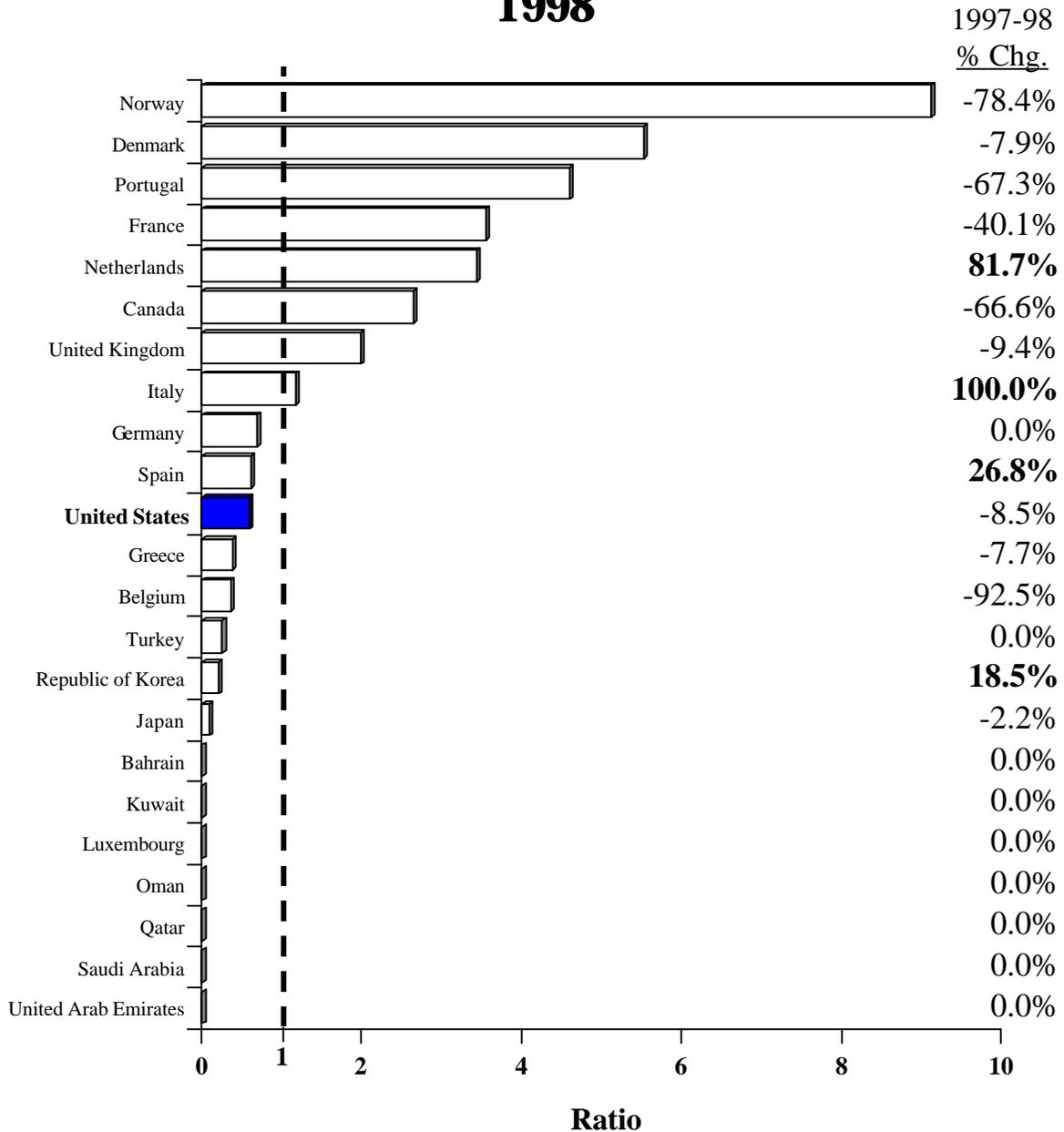


A ratio around 1 indicates that a country's contribution is in balance with its ability to contribute. A ratio above 1 suggests that a country is contributing beyond its "fair share," while a ratio below 1 means contributions are not commensurate with ability to contribute.

Chart III-10

UN Peace Support Personnel Share Relative To Labor Force Share

1998



A ratio around 1 indicates that a country’s contribution is in balance with its ability to contribute. A ratio above 1 suggests that a country is contributing beyond its “fair share,” while a ratio below 1 means contributions are not commensurate with ability to contribute.

Assessment of Multinational Military Contributions

In the FY 1999 Defense Authorization Act, Congress established the objective for U.S. allies to increase the assets (including personnel, equipment, logistics, and support) that they contribute or pledge to multinational military activities worldwide. Nations registering year-to-year increases in any of the indicators discussed in this section include Italy, Greece, the Netherlands, Portugal, Belgium, Canada, Denmark, Germany, Luxembourg, Spain, Turkey, Japan, the Republic of Korea, and Qatar. This is summarized in Chart I-1.

As described elsewhere in this Report, the Department takes a broader perspective in making evaluations of this type, and recognizes those countries whose contribution shares toward multinational military activities substantially exceed their share of GDP or labor force. On this basis, the list of countries that make significant contributions is as follows: the United Kingdom, Italy, Belgium, Canada, Denmark, France, the Netherlands, Norway, Portugal, Greece, Spain, Turkey, Germany, Bahrain, Kuwait, and Qatar. This is reflected in Chart I-2.

Ongoing Multinational Peacekeeping Operations

The post-Cold War era has seen a dramatic decline in conventional military threats to the United States and its allies, but has also generated a host of political, economic, and ethnic instabilities that pose lesser, but still serious, threats to our vital interests. In this new security environment, an increasingly important measure of allied responsibility sharing is countries' willingness to contribute military forces to major peacekeeping or peacemaking operations such as those that are ongoing in the former Yugoslavia.

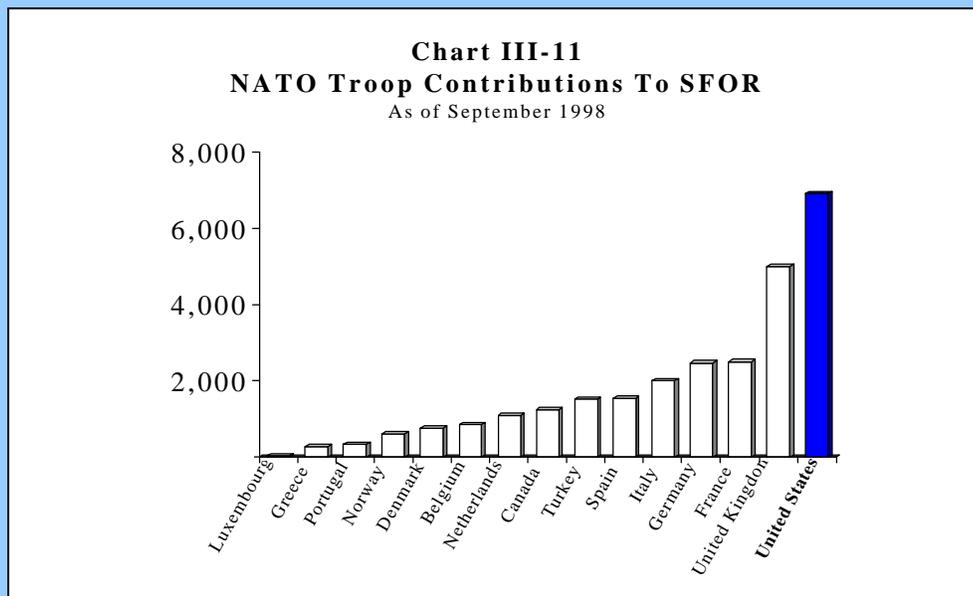
NATO-Led Stabilization Force (SFOR) in Bosnia and Herzegovina

Under UN Security Council Resolution 1088 (December 1996), SFOR was authorized to continue the implementation of the military aspects of the Dayton Peace Agreement begun under IFOR (NATO Implementation Force). Its specific tasks included:

- To deter or prevent a resumption of hostilities or new threat to peace;
- To consolidate IFOR's achievements and promote a climate in which the peace process can continue to move forward;
- To provide selective support to civilian organizations within its capabilities.

Since SFOR began, forces have patrolled the 1,400 km long Zone of Separation (ZOS), monitored hundreds of weapon containment sites, confiscated weapons, monitored the Parties' armed forces and de-mining activities, and removed unauthorized checkpoints. SFOR has also engaged in non-military activities such as the maintenance and repair of roads, bridges, airports, and railroads. SFOR has aided other international organizations by maintaining a secure environment for elections and refugee return, promoting local law and order, and providing technical advice and assistance.

In 1998, SFOR had about 33,000 troops in Croatia and Bosnia-Herzegovina, including 27,000 from NATO member countries, as well as 5,700 troops from 20 non-NATO countries (of which 15 are in the Partnership for Peace). See Chart III-11 below.



The SFOR Maritime component (Operation DETERMINED GUARD) is built around a task force of 3 frigates and 7 minesweepers from Greece, Italy, and Turkey. These forces, together with the other NATO naval forces currently in the Mediterranean, are available or can be called upon to support the SFOR mission.

NATO has assumed primary funding responsibility for SFOR. Contributions include national funding, as well as common funding through NATO's Military Budget and the NATO Security Investment Program.

NATO's Response to the Kosovo Crisis (current through January 1999)

By the summer of 1998, the conflict in Kosovo had displaced nearly 300,000 civilians, leaving many without adequate food, water, shelter or medical care. Faced with the specter of a major humanitarian disaster at the onset of winter, in September the UN Security Council passed Resolution 1199, calling upon all parties to cease hostilities and observe a ceasefire. When this failed to end the violence, NATO issued an activation order in October for Operation DETERMINED FORCE, authorizing bombing if the Yugoslav government refused to comply with the UN's demands, and deployed its multinational Standing Naval Force Mediterranean (STANAVFORMED) to the Adriatic Sea. In response to these initiatives, the Yugoslav government agreed to accept a ceasefire, withdraw certain forces from Kosovo, and allow the international community to verify these commitments.

The principal means of verifying compliance was to be a force of 2,000 observers who would operate on the ground under the auspices of the OSCE's Kosovo Verification Mission (KVM). These would be complemented by unarmed NATO reconnaissance flights over Kosovo. After the UN Security Council endorsed both verification missions, NATO launched the aerial verification effort under the title Operation EAGLE EYE. France, Germany, Italy, the United Kingdom, and United States are all contributing reconnaissance and/or supporting aircraft to this operation.

NATO is simultaneously conducting Operation DETERMINED GUARANTOR, which provides for the emergency extraction of the OSCE verifiers if necessary (as of January 1999, these totaled 860 – including 130 Americans). In December, a 1,500-strong NATO Extraction Force (XFOR) was established in the Former Yugoslav Republic of Macedonia under the command of a French brigadier general – the first time that France has commanded a NATO operation. XFOR comprises a French infantry battalion, an Italian infantry company, a British mechanized company, and Dutch airmobile and engineer companies. It stands at high readiness to extract the KVM observers from Kosovo at the request of OSCE.

In order to guard against the possibility of noncompliance with the terms of the UN ceasefire resolution, NATO decided in October to maintain the activation order for Operation DETERMINED FORCE. Belgium, Canada, Denmark, France, Germany, the Netherlands, Norway, Portugal, Spain, Turkey, the United Kingdom, and United States have committed a total of between 300 and 400 aircraft to this operation. Many of these aircraft are forward-deployed in Italy or on aircraft carriers, ready to conduct either limited airstrikes or a phased bombing campaign if circumstances demand.

MILITARY PERSONNEL

Unlike the preceding section, which addressed the critically important subset of nations’ forces that are available for multinational military contingencies, this section and the next focus on nations’ total military personnel and forces. Although this perspective is not required by the FY 1999 Defense Authorization Act, the Department believes that a nation’s total contribution of personnel and forces is a valid indicator of its commitment to shared security objectives such as deterrence and stability, and should be assessed for purposes of balance and completeness.

Military personnel are one of the most fundamental defense resources that a nation can contribute to shared security objectives. For the purposes of this Report, military personnel contributions are measured using active-duty troop levels, and a nation’s ability to contribute is determined by the size of its labor force.

Chart III-12 shows active-duty military as a percentage of labor force from 1990 to 1998. During this period, the U.S. ratio has experienced a slow but steady decline, somewhat steeper than the decrease among our NATO allies. On the other hand, following the Gulf War the GCC countries as a group have achieved a notable increase in this ratio, though recently it has dropped somewhat from its 1995 peak. Japan and the Republic of Korea combined have the lowest share of labor force on active-duty (1 percent), a level that has remained fairly constant during this period.

Chart III-12
Active-Duty Military Personnel
 As A Percentage of Labor Force

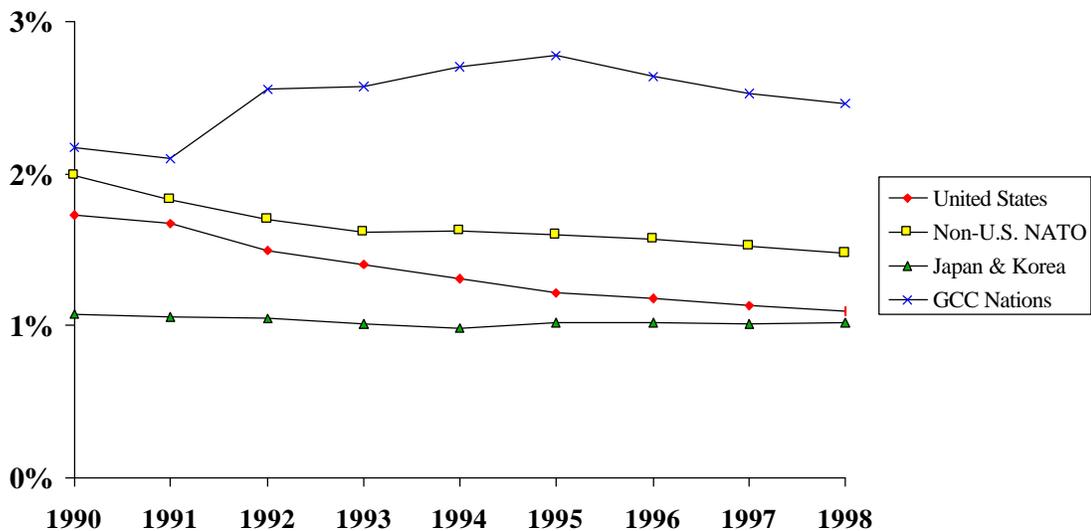


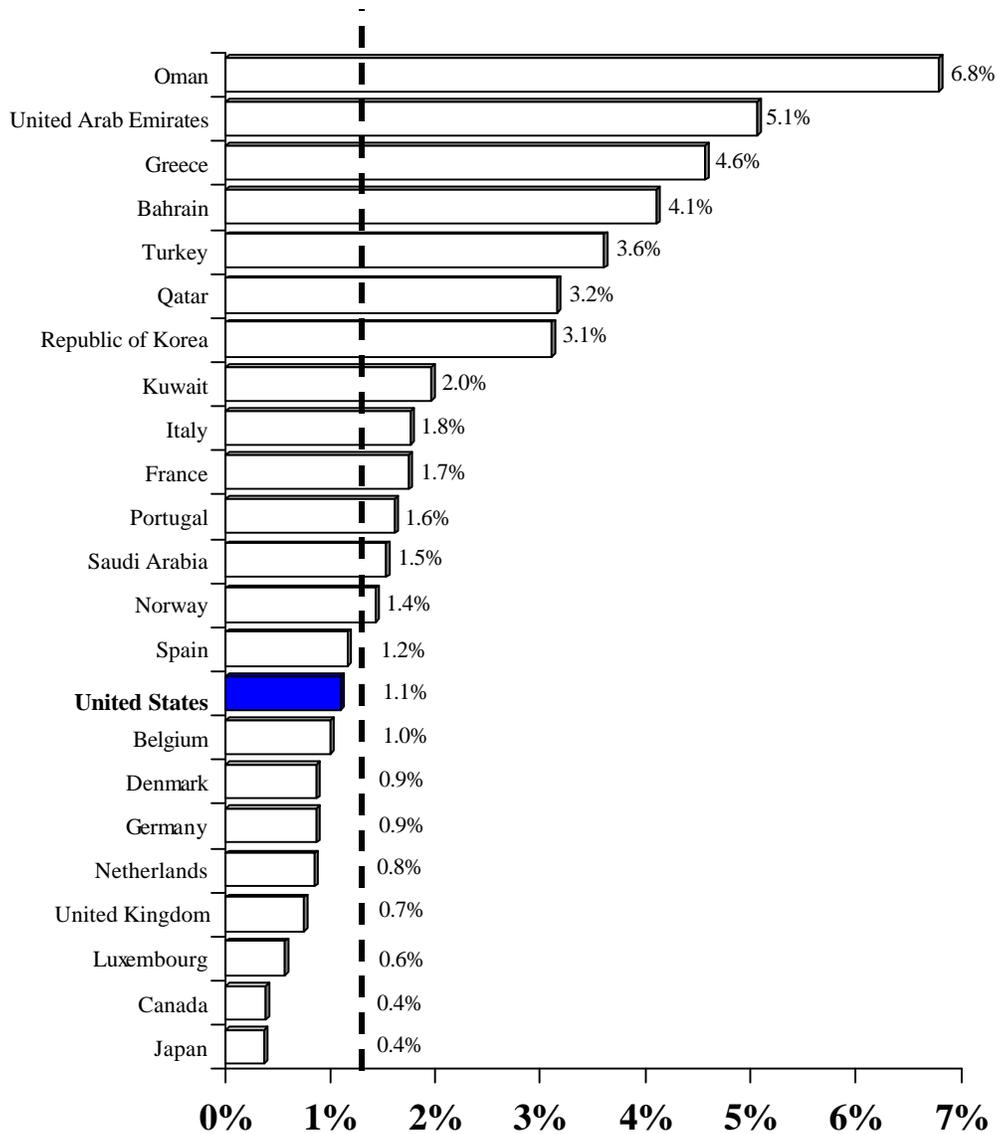
Chart III-13 compares all the countries in the Report in terms of active-duty military share relative to labor force share for 1998. The chart shows that Oman makes the largest contribution of military personnel relative to ability to contribute, followed by the United Arab Emirates, Greece, Bahrain, Turkey, Qatar, and the Republic of Korea. These countries, along with Kuwait, Italy, France, Portugal, and Saudi Arabia, each contribute a share of active-duty military personnel significantly greater (roughly 20 percent or more) than their share of total labor force. Refer to section C of the Annex for further details.

Congress has not identified a specific responsibility sharing target for military personnel. However, on the basis of the foregoing analysis, the Department assesses that the twelve nations identified in the preceding paragraph are making substantial responsibility sharing contributions in this category. This assessment is summarized in Chart I-2.

Note that this analysis would yield different results if reservists and defense civilians were included, based on variations in national policies for personnel utilization. For instance, the ranking of nations that place a greater reliance on mobilizable forces – such as Norway – would improve relative to nations like Canada which have a preponderance of active-duty forces. An expanded analysis of this type is beyond the scope of this Report, however, due to a lack of complete, comparable, and unclassified data on reservists and defense civilians.

Chart III-13

Active-Duty Military Personnel as a Percentage of Labor Force 1998



Dashed line represents the active-duty military personnel/labor force ratio at which a country's share of aggregate active-duty military personnel equals its share of aggregate labor force. Countries at this level are contributing their "fair share" of military personnel. Countries above this level are contributing beyond their "fair share," and conversely.

See Annex, Section C.

MILITARY FORCES

There is no single, comprehensive indicator that reflects *all* of the factors that determine military capability. The material in this section is intended to provide an overview of each country's force contributions using a few widely accepted measures.

Although Congress has not defined specific responsibility sharing targets for military forces in general, the Department believes that standing military forces represent an important contribution to shared security objectives. Country efforts in this area are assessed consistent with previous reports, and summarized in Chart I-2.

Ground Combat Capability

Nations' ground combat capabilities are measured according to the quantity and quality of their major weapon systems, drawing on static indicators that have been widely used within DoD and NATO. This approach provides more insight into combat potential than do simple counts of combat units and weapons, although it does not consider such factors as ammunition stocks, logistical support, communications, training, leadership, and morale. At this time there is no generally accepted static measure of ground combat capability that incorporates these factors.

The largest contributors to aggregate ground capability are shown in Chart III-14. The United States provides by far the largest share of ground combat capability of any nation in this Report, followed by the Republic of Korea, Germany, and Turkey.

Chart III-14
Ground Combat Capability
1998

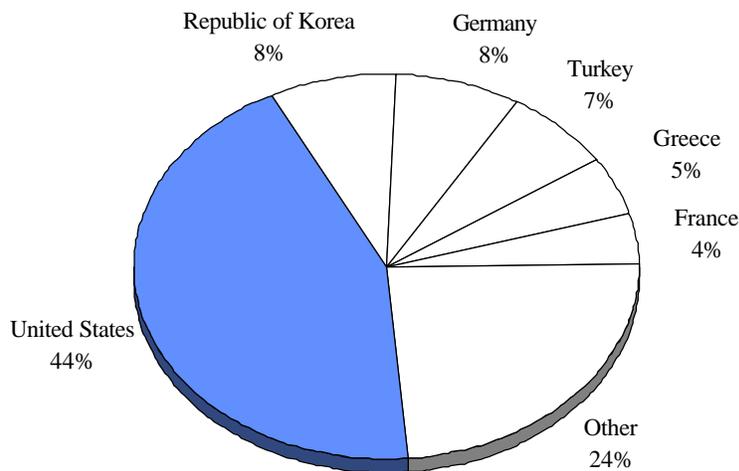
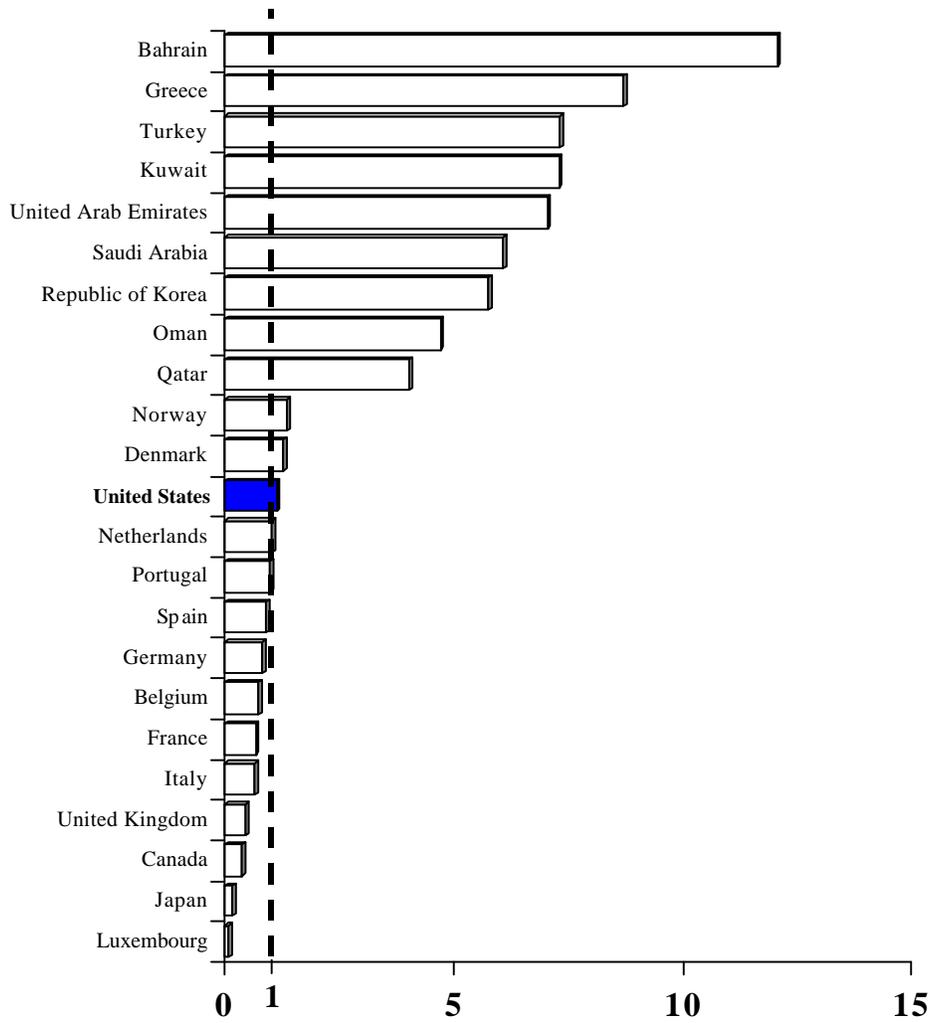


Chart III-15 compares nations' ground combat capability contributions with their ability to contribute. In 1998, eleven countries contributed shares of ground combat capability significantly (at least 20 percent) greater than their share of total GDP. This includes all the GCC countries, led by Bahrain. Among NATO countries, Greece and Turkey make by far the largest contributions in this category. Other nations with significant ground combat capability relative to their ability to contribute are the Republic of Korea, Norway, and Denmark.

On the basis of the analysis reflected in Chart III-15, the Department assesses that these eleven nations (identified above) are making substantial responsibility sharing contributions in the area of ground combat capability.

Chart III-15 Ground Combat Capability Share Relative to GDP Share 1998



Ratio

A ratio around 1 indicates that a country’s contribution is in balance with its ability to contribute. A ratio above 1 suggests that a country is contributing beyond its “fair share,” while a ratio below 1 means contributions are not commensurate with ability to contribute.

Naval Force Tonnage

Tonnage is a static measure of aggregate fleet size that provides a more meaningful basis for comparison than do simple tallies of ships. The use of tonnage alone as an indicator does not, however, provide any indication of the number of weapons aboard ships, or of the weapons' effectiveness or reliability. Also, this measure does not assess the less tangible ingredients of combat effectiveness, such as training and morale. Consequently, tonnage data should be considered only a rough indicator of naval potential.

Chart III-16 shows the nations with the largest shares of aggregate fleet tonnage (excluding strategic submarines) for 1998. Note that the U.S. fleet includes some types of vessels not generally found in most allied navies (e.g., aircraft carriers, fleet support, sealift, and amphibious vessels). As a result, the United States has by far the single largest share of fleet tonnage with nearly 60 percent of the total tonnage of all countries in this Report combined. The next largest tonnage shares are those of the United Kingdom, Japan, and France.

Chart III-16
Naval Force Tonnage
1998

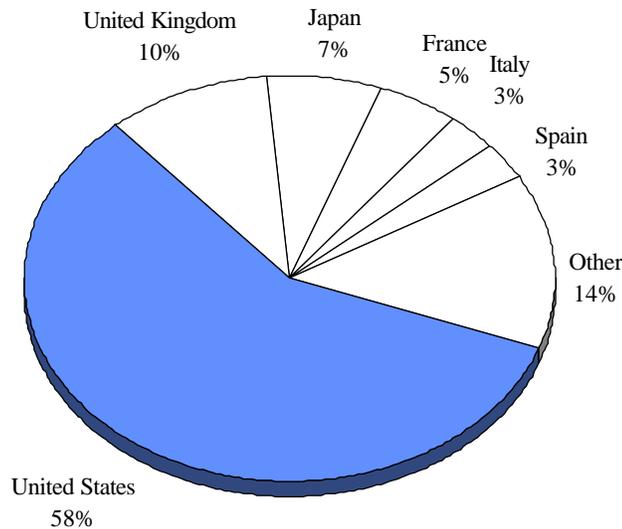
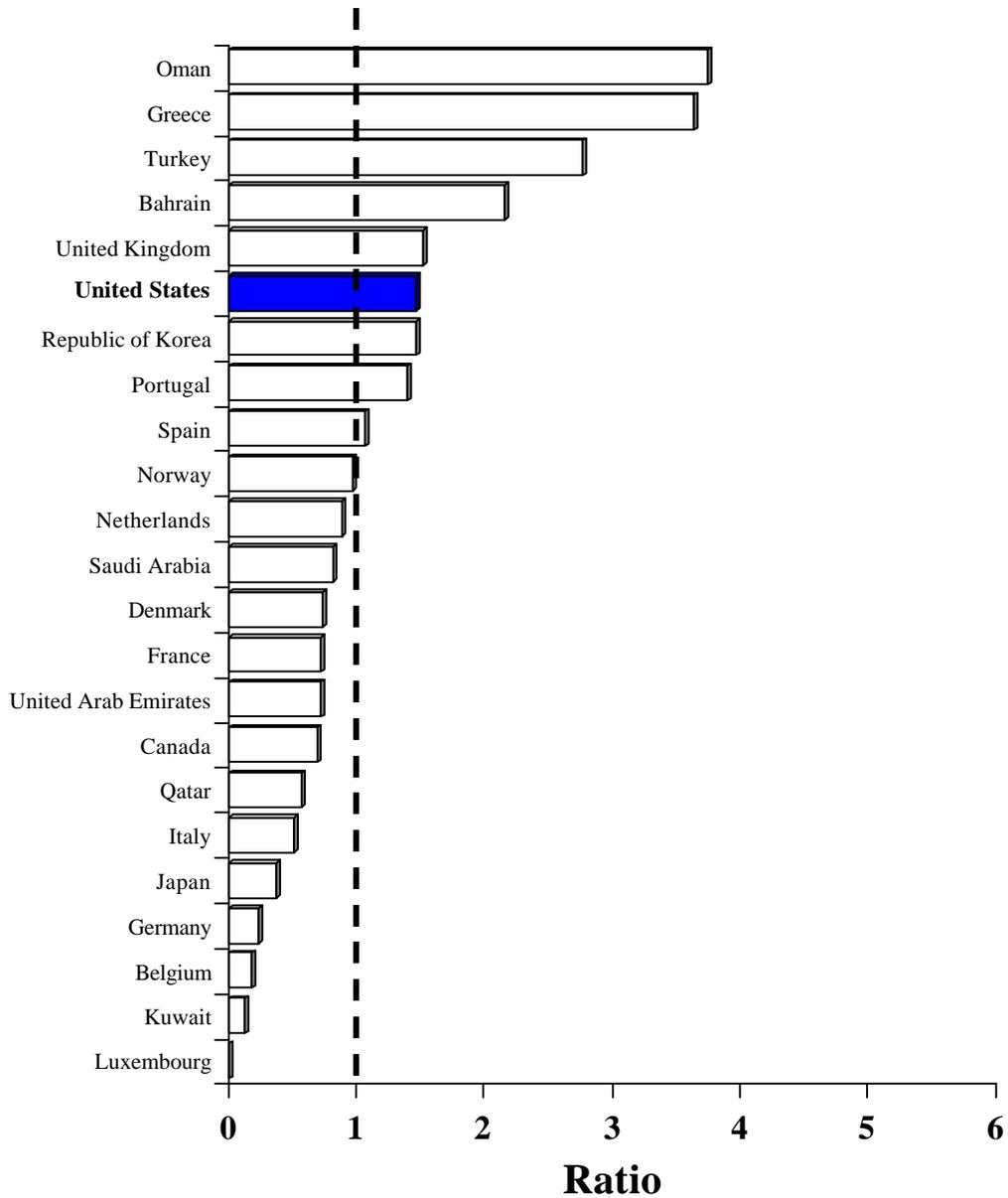


Chart III-17 reflects national shares of total fleet tonnage relative to GDP shares. In 1998, eight countries had shares of naval force tonnage significantly (at least 20 percent) greater than their GDP shares, led by Oman, and including Greece, Turkey, Bahrain, the United Kingdom, the United States, the Republic of Korea, and Portugal. On the basis of this analysis, the Department assesses that these eight nations are making substantial responsibility sharing naval tonnage contributions.

Chart III-17

Naval Force Tonnage Share Relative to GDP Share 1998



A ratio around 1 indicates that a country’s contribution is in balance with its ability to contribute. A ratio above 1 suggests that a country is contributing beyond its “fair share,” while a ratio below 1 means contributions are not commensurate with ability to contribute.

Tactical Combat Aircraft

Aircraft tallies are the best available measure of the strength of nations’ air forces. As with the other force indicators discussed above, unit counts of aircraft do not measure combat effectiveness, or take into account factors such as differences in ammunition, training, or morale.

Chart III-18 depicts the distribution of tactical combat aircraft among nations addressed in this Report (including air force, naval, and marine assets). The United States possesses almost one half of all combat aircraft, followed by France and the United Kingdom.

Chart III-18
Tactical Combat Aircraft
1998

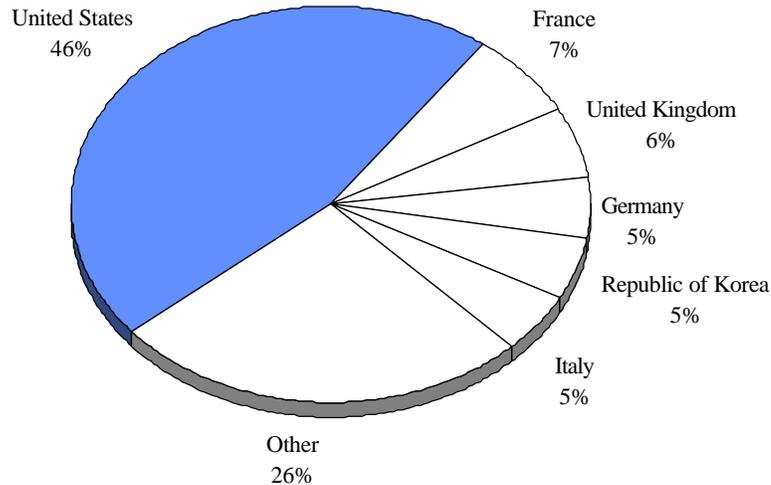
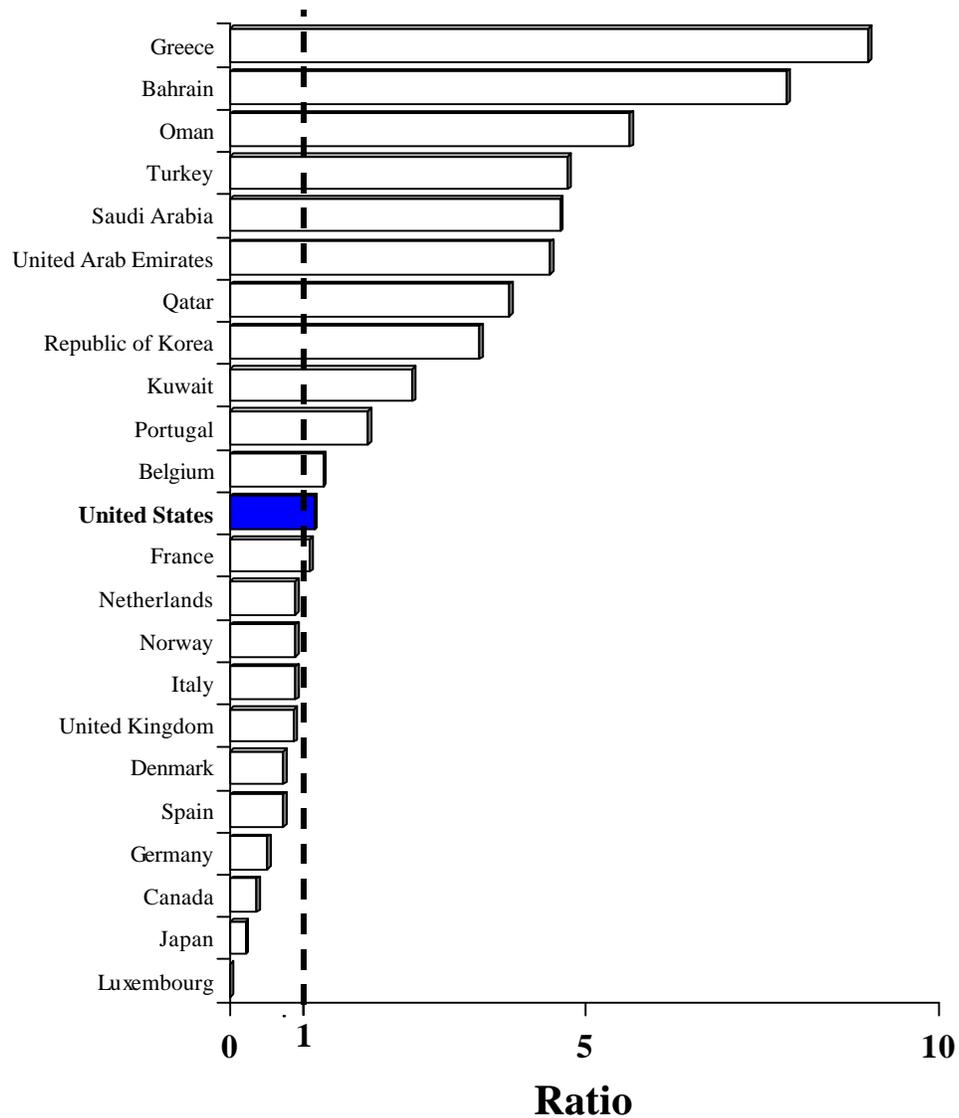


Chart III-19 reflects national shares of the total combat aircraft inventory in relation to GDP shares. A majority of the countries in this Report have combat aircraft shares significantly (at least 20 percent) above their GDP share, led by Greece and Bahrain, and including the other five GCC countries, along with Turkey, the Republic of Korea, Portugal, and Belgium. On the basis of this analysis, the Department assesses that these eleven nations are making substantial responsibility sharing contributions in the area of tactical combat aircraft.

Chart III-19 Tactical Combat Aircraft Share Relative to GDP Share 1998



A ratio around 1 indicates that a country’s contribution is in balance with its ability to contribute. A ratio above 1 suggests that a country is contributing beyond its “fair share,” while a ratio below 1 means contributions are not commensurate with ability to contribute.

COST SHARING

The most familiar form of cost sharing is *bilateral* cost sharing between the United States and an ally or partner nation that either hosts U.S. troops and/or prepositioned equipment, or plans to do so in time of crisis. The Department of Defense distinguishes between two different types of bilateral cost sharing: the *direct* payment of certain U.S. stationing costs by the host nation (i.e., on-budget host country expenditures), and *indirect* cost deferrals or waivers of taxes, fees, rents, and other charges (i.e., off-budget, foregone revenues).

Cost Sharing Contributions

As shown in Chart III-20, the Department estimates that in 1997 (the most recent year for which data are available) the United States received direct and indirect cost sharing assistance from our NATO, Pacific, and GCC allies totaling over \$7.3 billion.

Cost sharing has been a particularly prominent aspect of our bilateral defense relationships with Japan (since the late 1970s) and the Republic of Korea (since the late 1980s). The current Asian financial crisis may affect bilateral cost sharing levels in 1998, especially for the Republic of Korea, due to the amount of ROK cost sharing transacted in U.S. dollars.

As Chart III-20 shows, Japan provides a greater level of direct cost sharing (\$2.9 billion) than we receive from any other ally. This is due largely to the strict constitutional limits that apply to the Japanese armed forces, and concerns for regional stability shared by the United States, Japan, and its Asian neighbors. Refer to the previous chapter for additional details on Japanese cost sharing.

The Republic of Korea first agreed to contribute to a program for Combined Defense Improvement Projects (CDIP) construction in 1979 – which marked the beginning of our present cost sharing relationship. In 1988, the Republic of Korea agreed to a CDIP program funded initially at \$40 million a year. Since that time, annuals cost sharing negotiations have brought a gradual increase in ROK cost sharing. During 1997, the ROK provided \$350 million in direct cost sharing and over \$380 million in additional indirect cost sharing. Further information on U.S.-ROK cost sharing is included in Chapter II.

NATO countries have long provided substantial indirect support for U.S. forces stationed on their territory. Our allies provide rent-free bases and facilities, various tax exemptions, and reduced-cost services. Among NATO allies with the largest cost sharing contributions to the United States in 1997 were Germany (\$1.2 billion), and Italy (\$1.1 billion).

With respect to our security partners in Southwest Asia, bilateral cost sharing in 1997 included over \$250 million paid or pledged by Saudi Arabia, Kuwait, Oman, United Arab Emirates, and Bahrain to offset U.S. incremental costs in the Persian Gulf region. Kuwait and Qatar both host a prepositioned U.S. Army heavy brigade equipment set, and share the land use, maintenance, and operating costs for U.S. forces stationed or exercising on their territory.

Chart III-20

U.S. Stationed Military Personnel & Bilateral Cost Sharing – 1997 1997 Dollars in Millions - 1997 Exchange Rates

NATO Allies	U.S. Stationed Military Personnel (Sept. 30, 1997)	Bilateral Cost Sharing		
		Direct Support	Indirect Support	Total
Belgium	1,679	\$0.00	\$45.74	\$45.74
Canada	179	NA	NA	NA
Denmark	39	\$0.02	\$0.06	\$0.07
France	74	NA	NA	NA
Germany	60,053	\$16.91	\$1,207.88	\$1,224.80
Greece	498	\$0.01	\$17.49	\$17.50
Italy	11,677	\$0.00	\$1,092.79	\$1,092.79
Luxembourg	9	\$0.00	\$15.00	\$15.00
Netherlands	703	\$0.00	\$3.19	\$3.19
Norway	107	\$1.20	\$0.00	\$1.20
Portugal	1,066	\$0.00	\$0.90	\$0.90
Spain	3,575	\$0.49	\$122.26	\$122.75
Turkey	2,864	\$0.04	\$16.42	\$16.47
United Kingdom	11,379	\$3.34	\$90.67	\$94.01
NATO Allies' Total	93,902	\$22.01	\$2,612.39	\$2,634.40
<u>Pacific Allies</u>				
Japan	47,000	\$2,944.12	\$781.02	\$3,725.13
Republic of Korea	35,663	\$350.40	\$385.84	\$736.24
Pacific Allies' Total	82,663	\$3,294.52	\$1,166.86	\$4,461.37
<u>Gulf Cooperation Council (GCC)</u>				
Bahrain	748	\$2.15	\$2.35	\$4.50
Kuwait	1,640	\$77.06	\$4.76	\$81.82
Oman	28	\$0.00	\$49.96	\$49.96
Qatar	26	NA	NA	NA
Saudi Arabia	1,722	\$11.05	\$97.11	\$108.16
United Arab Emirates	22	\$0.05	\$10.36	\$10.41
GCC Allies' Total	4,186	\$90.32	\$164.54	\$254.85
Grand Total	180,751	\$3,406.85	\$3,943.78	\$7,350.63

In addition to *bilateral* cost sharing, our NATO allies also provide *multilateral* cost sharing, through common- and jointly-funded budgets. These include the NATO Security Investment Program (NSIP); the NATO Military Budget for the operations and maintenance (O&M) of NATO Military Headquarters, agencies, and common-use facilities; and the NATO Civil Budget for O&M of the NATO Headquarters and several non-military programs including civil preparedness. See Chart III-22 at the conclusion of this section for additional detail.

Several recent developments in collective NATO cost sharing are quite favorable to the United States, including savings of over \$150 million due to continued NSIP funding for certain projects in support of U.S. forces that would not normally be NSIP-eligible (e.g., quality of life facilities at Aviano Air Base, Italy). In addition, the United States stands to gain direct savings from NATO's Collective Cost Sharing initiative, under which the Alliance will offset U.S. O&M costs for prepositioned war reserve equipment and material. Finally, additional U.S. savings will be realized beginning in 1999 based on a reduced U.S. cost share in the common budgets owing to increased participation by France and Spain and the inclusion of the Czech Republic, Hungary, and Poland.

Assessment of Cost Sharing Contributions

One of the objectives Congress established in the FY 1999 Defense Authorization Act was for nations that host U.S. forces to offset 75 percent of U.S. stationing costs by September 2000 through an increase in financial contributions, or the elimination of taxes, fees, or other charges levied on U.S. military personnel, equipment, or facilities in that nation. Chart III-21 shows the nations with the greatest U.S. cost offset percentages for 1997. *Note:* Cost offset percentages cannot be provided for the GCC nations (with the exception of Bahrain and Saudi Arabia) due to the lack of full information regarding U.S. stationing costs in those countries.

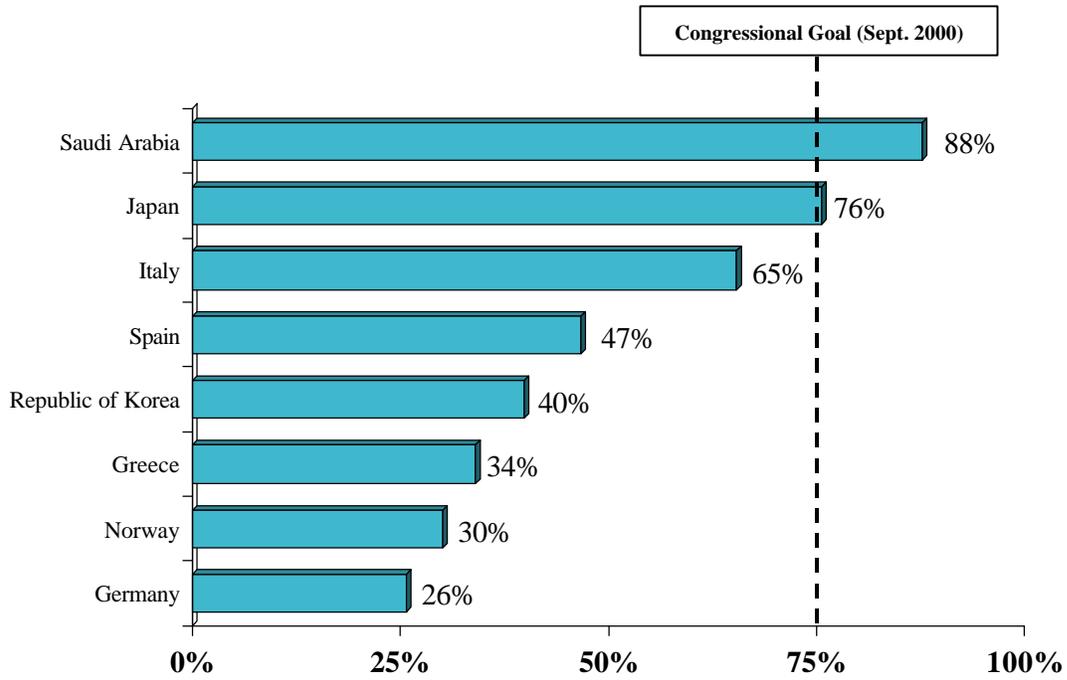
Dating back to the Defense Authorization Act for FY 1997, Congress has endorsed the Department's view that cost sharing is but one aspect among many in assessing allies' responsibility sharing efforts. Cost sharing objectives are not appropriate for all countries, due to the differences in the objectives of our security relationships with various allies and partners. For instance, there is no tradition in Europe of providing the kind of direct cash and in-kind support provided, by Japan and the Republic of Korea, since the emphasis in NATO for many years has been on strengthening participation in the military roles and missions of the Alliance. In contrast, due to the much different security situation in the Pacific and the unique defense capabilities of Japan and the Republic of Korea, our responsibility sharing policy in this region has emphasized cost sharing rather than global military roles and missions.

Currently Saudi Arabia and Japan are the only countries that meet the Congressional cost sharing target.

In addition to measuring cost sharing contributions according to the proportion of U.S. costs that are offset, host nation support can also be evaluated relative to a country's ability to incur cost sharing obligations. Using this approach, the countries with shares of bilateral host nation support contributions to the United States substantially (at least 20 percent) greater than their share of GDP are Oman, followed by the Republic of Korea, Kuwait, Luxembourg, Italy, Japan, Bahrain, and Saudi Arabia.

These assessments are summarized in Charts I-1 and I-2.

Chart III-21
Share of U.S. Overseas Stationing Costs Paid by Selected Allies
1997



Multilateral Cost Sharing: NATO's Common-Funded Budgets

NATO's long-standing arrangement to share costs of mutually-beneficial projects is one of the Alliance's oldest and truest tools to promote responsibility sharing equity. A summary of 1998 outlays by each of the NATO common-funded budgets is provided below, showing each country's contribution and percentage share of costs incurred.

Chart III-22

NATO's Common-Funded Budgets - 1998* 1998 Dollars in Millions - 1998 Exchange Rates

	NATO Security & Investment Program	% of Total	Military Budget	% of Total**
Belgium	20.8	4.5%	25.5	3.3%
Canada	18.4	3.9%	56.4	6.5%
Denmark	16.8	3.6%	15.1	1.9%
France	18.4	3.9%	33.3	6.1%
Germany	115.6	24.8%	160.8	18.0%
Greece	4.8	1.0%	3.8	0.4%
Iceland	0.0	0.0%	0.3	0.1%
Italy	38.4	8.2%	53.5	6.9%
Luxembourg	0.8	0.2%	0.7	0.1%
Netherlands	23.6	5.1%	26.2	3.3%
Norway	14.0	3.0%	10.5	1.3%
Portugal	1.6	0.3%	5.6	0.7%
Spain	2.4	0.5%	5.3	1.0%
Turkey	6.0	1.3%	13.7	1.9%
United Kingdom	52.8	11.3%	111.3	20.4%
United States	132.0	28.3%	284.5	28.0%
Total	466.4	100.0%	806.5	100.0%
	Civil Budget	% of Total	TOTAL NATO Common Budgets	% of TOTAL**
Belgium	4.3	2.7%	50.6	3.7%
Canada	8.8	5.6%	83.6	5.4%
Denmark	2.5	1.6%	34.4	2.6%
France	25.9	16.5%	77.6	6.6%
Germany	24.5	15.6%	300.9	20.4%
Greece	0.6	0.4%	9.2	0.7%
Iceland	0.1	0.1%	0.4	0.0%
Italy	9.1	5.8%	101.0	7.3%
Luxembourg	0.1	0.1%	1.6	0.1%
Netherlands	4.3	2.7%	54.1	3.9%
Norway	1.7	1.1%	26.2	2.0%
Portugal	1.0	0.6%	8.2	0.6%
Spain	5.5	3.5%	13.2	1.1%
Turkey	2.5	1.6%	22.2	1.6%
United Kingdom	29.6	18.8%	193.7	16.6%
United States	36.7	23.3%	453.2	27.5%
Total	157.2	100.0%	1430.1	100.0%

*Due to rounding, the numbers shown may not add up to the totals.

**Calculation does not include contributions to the NATO Airborne Early Warning and Control Program.

FOREIGN ASSISTANCE

Foreign assistance plays a prominent role in nations' overall responsibility sharing efforts. Although economic aid does not directly increase U.S. and allied defense capabilities, it makes an important contribution to global peace and stability. Most industrialized NATO countries and Japan have for many years extended various types of assistance to developing countries. In addition, and of special significance in the post-Cold War era, NATO nations, Japan, and the Republic of Korea also provide important assistance to the emerging democracies in Central Europe and the New Independent States (NIS) of the former Soviet Union.

Foreign assistance is comprised of both *bilateral* aid, assistance given from one nation directly to another, and *multilateral* aid, assistance given by a nation to an international development bank (e.g., the World Bank) or other multinational agency (e.g., the European Commission) that is pooled with other contributions and then disbursed. Multilateral assistance traditionally focuses on projects and programs with longer term objectives beyond providing immediate liquidity – e.g., human resources development, technical assistance, financial infrastructure improvement, and poverty reduction.

Foreign Assistance Contributions

As shown in Chart III-23, disbursements of foreign assistance by nations included in this Report exceeded \$49 billion in 1997 (the latest year for which reliable data are substantially complete). Of this sum, over \$40 billion was provided by our allies and partners. This aid reflects a commitment to promote democratization, government accountability and transparency, economic stabilization and development, defense economic conversion, respect for the rule of law and internationally recognized human rights, and humanitarian relief efforts. Foreign aid for 1997 represented only 0.23 percent of the combined GDPs of the nations in this Report, falling below the 0.25 percent reported for 1996 as the lowest level recorded in nearly 30 years. This is due in large part to a continued decline in bilateral assistance.

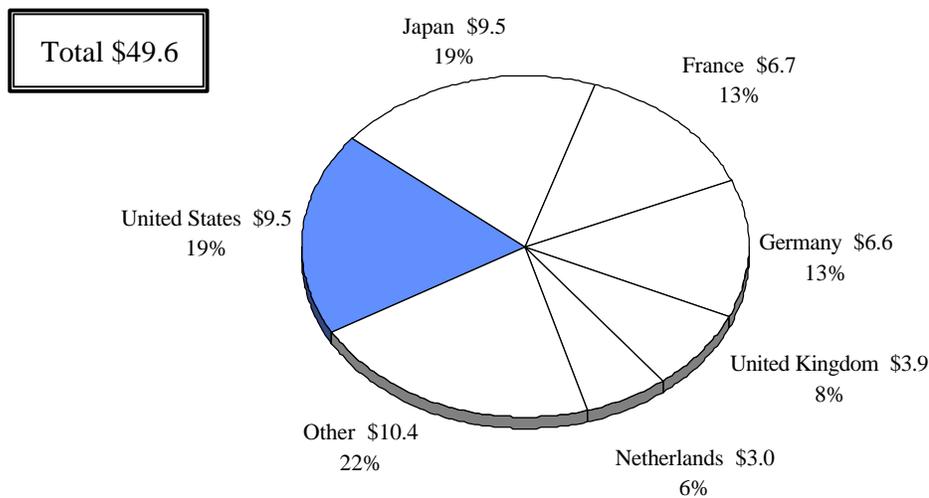
Chart III-23 also shows that, as in the recent past, the four nations with the largest foreign assistance contributions (in absolute terms) in 1997 were the United States, Japan, France, and Germany. At the other end of the spectrum are those nations that contribute very modest amounts of foreign aid, although this may be justified in the case of countries with relatively low standards of living (e.g., Greece, the Republic of Korea, and Portugal).

Care must be exercised in evaluating year-to-year changes in foreign aid data. First, foreign aid flows can be somewhat volatile. The large decrease in foreign assistance provided by Italy in 1997, for example, more than offset the large increase reported the previous year due to an unusually high level of multilateral contributions. The decline in German foreign assistance efforts is due in large part to budget discipline prescribed under the Maastricht criteria. Second, irregularities in the timing of disbursements may affect year-to-year comparisons. For example, some 1997 United States annual multilateral contributions were not disbursed until 1998. Similarly, Canada caught up on 1996 payments to multilateral agencies in 1997, creating an apparent 11 percent increase in overall assistance levels even though bilateral aid actually declined in 1997. Lastly, time lags in collecting complete data on nations' foreign aid programs make it difficult to report full information on all countries. Thus, the apparent increase in the Republic of

Korea’s foreign aid for 1997 is explained in part by the continuing lack of complete data pertaining to their contributions for 1996.

Based on the available data, less than one third of the nations for which data is available achieved real growth in foreign aid in 1997 from the prior year. Bearing in mind the above cautions, an increase in 1997 reported foreign assistance levels over 1996 were reported for the Republic of Korea (33 percent), Luxembourg (13 percent), Canada (11 percent), Portugal (11 percent), and the United Kingdom (3 percent). Among countries with the sharpest reductions were Italy (-46 percent), Saudi Arabia (-28 percent), Germany (-27 percent), France (-20 percent), Belgium (-17 percent), the United States (-17 percent), Kuwait (-14 percent), and the Netherlands (-11 percent). For all nations combined, foreign aid declined roughly 15 percent from 1996 to 1997.

Chart III-23
Foreign Assistance
 in Billions of Constant 1998 Dollars
 1997



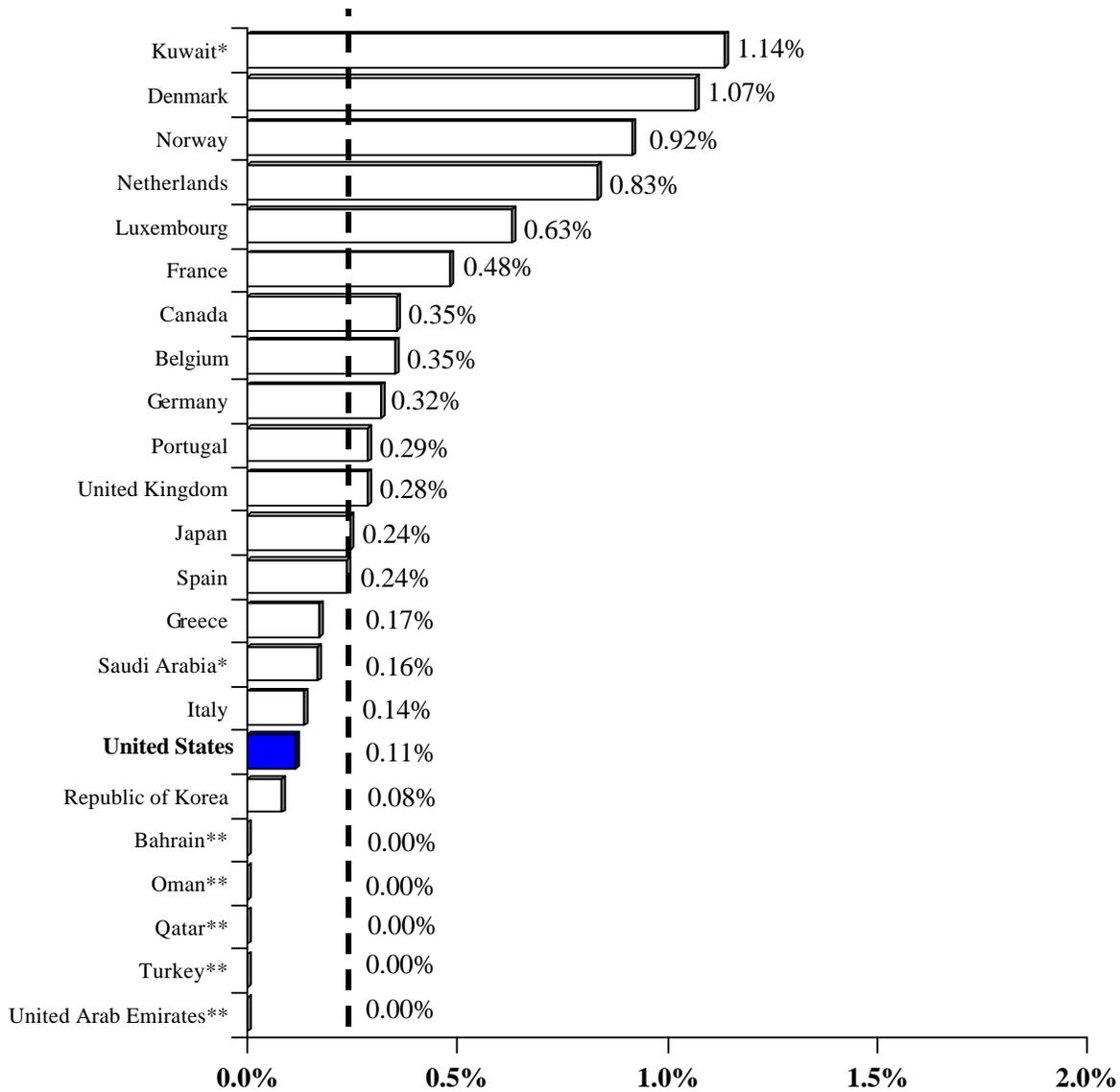
To improve the comparability of foreign assistance contributions among nations, Chart III-24 depicts each nation’s foreign assistance contributions relative to its GDP for 1997. From this perspective, the largest grant aid donors are Kuwait, Denmark, Norway, and the Netherlands (the only nations to meet or surpass UN assistance targets of 0.7 percent of GDP). Among nations for which complete data are available, the United States ranks as the second lowest of all donor nations assessed in this Report, ahead of only the Republic of Korea.

Eleven of the countries addressed in this Report provided foreign assistance shares significantly (at least 20 percent) greater than their share of GDP – in addition to the four countries identified above, this includes Luxembourg, France, Canada, Belgium, Germany, Portugal, and the United Kingdom.

Chart III-24

Foreign Assistance as a Percentage of GDP

1997



* Includes only ODA; OA data not available.

** No data available.

Dashed line represents the defense spending/GDP ratio at which a country's share of aggregate defense spending equals its share of aggregate GDP. Countries at this level are contributing their "fair share" of defense spending. Countries above this level are contributing beyond their "fair share," and conversely.

See Annex, Section C.

Assessment of Foreign Assistance Contributions

In the FY 1999 Defense Authorization Act, Congress established two targets for our allies in the area of foreign assistance: increase foreign assistance by 10 percent compared to the preceding year, or provide foreign assistance at an annual rate that is not less than one percent of GDP. This latter provision is highly restrictive, exceeding the UN target of 0.7 percent of GDP, and surpassing the United States ratio of foreign assistance/GDP by almost a factor of ten.

Only six nations met either of these targets in 1997. Specifically, allies or partners with reported increases of 10 percent or more in foreign aid contributions included the Republic of Korea (33 percent), Luxembourg (13 percent), Canada (11 percent), and Portugal (11 percent). (Note that these figures may be misleading in light of the anomalies discussed above.) In addition, based on ability to contribute, only Kuwait (1.14 percent) and Denmark (1.07 percent) made foreign assistance contributions of at least one percent of GDP.

As with other responsibility sharing indicators discussed elsewhere in this Report, the Department believes it is important to evaluate country efforts relative to their GDP share. Using this approach, eleven nations achieved a foreign aid share substantially (at least 20 percent) greater than their GDP share. As identified earlier, these countries are Kuwait, Denmark, Norway, the Netherlands, Luxembourg, France, Canada, Belgium, Germany, Portugal, and the United Kingdom.

These assessments are summarized in Charts I-1 and I-2.

CONCLUSION

Every nation (with the exception France, Norway, and the United Kingdom) addressed in this Report satisfies at least one of the responsibility sharing targets established in the FY 1999 Defense Authorization Act, and nearly half the countries satisfy two or more of them. Using the Department's approach of assessing their contributions in relation to ability to contribute, every nation satisfies at least one of the target areas. These results are summarized in Chart I-1 and I-2 presented in Chapter I.

We believe that this overall picture is positive, but we are committed to continued efforts to convince our allies and partners to achieve and maintain adequate defense budgets, and increase their contributions to multinational military activities. At the same time we will continue to emphasize the importance of increased host nation support and the critical role of foreign assistance in enhancing our collective security.

Finally, the FY 1999 Defense Authorization Act asks for a comparison of nations' responsibility sharing contributions, specifically between FY 1997 and FY 1998. As explained in the Annex, the timing of data collection and analysis prevents the Department from reporting for those exact periods. Nevertheless, in response to the Congressional requirement, Chart III-25 provides a comparison for the two most recent years for which complete and reliable data are available. In providing this comparison, the Department wishes to reiterate that a balanced assessment of nations' efforts requires a review of longer-term trends, including an evaluation of contributions relative to ability to contribute.

Chart III-25
Responsibility Sharing Indicators
Comparisons of Last Two Years of Available Data

Country	Defense Spending / GDP			Share of U.S. Overseas Stationing Costs Paid by Allies			Foreign Assistance Millions of Constant 1998 Dollars		
	1997	1998	1997-98 % Change	1996	1997	1996-97 % Change	1996	1997	1996-97 % Change
United States	3.4%	3.2%	-6.5%	NA	NA	NA	\$11,474	\$9,547	-16.8%
Belgium	1.5%	1.5%	-2.1%	19.4%	15.0%	-24.0%	\$1,008	\$832	-17.4%
Canada	1.3%	1.1%	-11.0%	N/App	N/App	N/App	\$2,009	\$2,226	10.8%
Denmark	1.7%	1.6%	-2.3%	0.1%	0.1%	-15.5%	\$1,975	\$1,816	-8.0%
France	3.0%	2.8%	-5.1%	N/App	N/App	N/App	\$8,344	\$6,694	-19.8%
Germany	1.6%	1.5%	-2.6%	26.8%	25.7%	-4.3%	\$9,067	\$6,576	-27.5%
Greece	4.6%	4.9%	6.3%	32.6%	34.0%	4.3%	\$205	\$189	-7.4%
Italy	2.0%	2.0%	-1.3%	49.4%	65.4%	32.3%	\$2,851	\$1,545	-45.8%
Luxembourg	0.9%	0.9%	2.2%	99.3%	39.8%	NA	\$87	\$98	12.8%
Netherlands	1.9%	1.8%	-4.9%	6.5%	2.8%	-57.5%	\$3,403	\$3,016	-11.4%
Norway	2.1%	2.1%	1.1%	24.6%	30.1%	NA	\$1,397	\$1,356	-2.9%
Portugal	2.5%	2.4%	-4.0%	3.5%	1.3%	NA	\$249	\$276	10.8%
Spain	1.4%	1.3%	-7.0%	47.4%	46.7%	-1.5%	\$1,414	\$1,268	-10.4%
Turkey	4.1%	4.1%	-0.9%	19.5%	9.9%	-49.5%	\$287	NA	NA
United Kingdom	2.7%	2.7%	-1.0%	14.2%	15.5%	-12.0%	\$3,744	\$3,862	3.2%
Non-US NATO Total	2.2%	2.1%	-3.3%	29.2%	32.4%	7.9%	\$36,041	\$29,754	-17.4%
Japan	1.0%	1.0%	-1.2%	78.3%	75.6%	-3.5%	\$9,730	\$9,492	-2.4%
Republic of Korea	3.3%	3.2%	-1.9%	23.8%	39.9%	-12.0%	\$174	\$231	33.1%
Pacific Allies Total	1.1%	1.1%	-1.3%	68.3%	65.9%	-3.6%	\$9,904	\$9,723	-1.8%
Bahrain	5.2%	7.1%	36.1%	NA	17.0%	NA	NA	NA	NA
Kuwait	12.3%	12.0%	-3.0%	NA	NA	NA	\$438	\$376	-14.1%
Oman	11.5%	11.7%	1.4%	NA	NA	NA	NA	NA	NA
Qatar	14.4%	10.9%	-24.1%	NA	NA	NA	NA	NA	NA
Saudi Arabia	12.5%	13.0%	4.0%	NA	87.7%	NA	\$326	\$234	-28.2%
United Arab Emirates	5.3%	8.8%	65.8%	NA	NA	NA	\$34	NA	NA
GCC Total	11.0%	11.8%	7.6%	NA	NA	NA	\$798	\$610	-23.6%
GRAND TOTAL	2.6%	2.4%	-4.4%	48.3%	47.9%	-0.9%	\$58,217	\$49,635	-14.7%

Yearly data rounded. Percent change calculated using non-rounded figures.

NA (Not Available)

N/App (Not Applicable)

Chart III-25 (Cont'd.)
Responsibility Sharing Indicators
Multinational Military Activities Indicators
Comparisons of Last Two Years of Available Data

Country	Reaction Forces Share Relative to GDP Share			Share of Combat Forces Available for Peacekeeping Relative to GDP Share			UN Operations					
	1997-98			1997-98			Peacekeeping Funding Millions of Constant \$98			Peacekeeping Personnel		
	1997	1998	% Change	1997	1998	% Change	1996	1997	% Change	1997	1998	% Change
United States	0.7	0.7	-1.0%	NA	0.4	NA	\$288.2	\$303.2	5.2%	637	583	-8.5%
Belgium	2.4	2.5	4.2%	NA	4.8	NA	\$20.0	\$11.9	-40.4%	146	11	-92.5%
Canada	0.6	0.6	2.0%	NA	2.3	NA	\$38.2	\$30.0	-21.4%	889	297	-66.6%
Denmark	2.8	2.9	1.7%	NA	2.6	NA	\$8.0	\$6.9	-12.9%	126	116	-7.9%
France	1.4	1.4	0.0%	NA	1.1	NA	\$94.6	\$69.1	-26.9%	474	664	40.1%
Germany	0.7	0.8	8.4%	NA	2.4	NA	\$104.7	\$87.7	-16.2%	190	190	0.0%
Greece	9.4	10.0	6.9%	NA	2.3	NA	\$1.2	\$1.8	55.4%	13	12	-7.7%
Italy	1.5	1.5	1.7%	NA	1.4	NA	\$56.5	\$58.6	3.6%	97	194	100.0%
Luxembourg	1.0	1.1	6.1%	NA	1.9	NA	\$0.7	\$0.5	-21.8%	0	0	0.0%
Netherlands	2.8	2.9	2.7%	NA	2.7	NA	\$17.1	\$15.0	-11.9%	93	169	81.7%
Norway	3.0	2.8	-5.1%	NA	3.2	NA	\$6.0	\$5.3	-11.3%	708	153	-78.4%
Portugal	3.4	3.5	4.5%	NA	3.3	NA	\$1.4	\$1.6	10.4%	474	155	-67.3%
Spain	1.9	1.9	-0.1%	NA	2.5	NA	\$39.7	\$22.8	-42.7%	56	71	26.8%
Turkey	7.1	7.4	5.4%	NA	2.7	NA	\$1.1	\$0.0	-100.0%	42	42	0.0%
United Kingdom	2.8	2.4	-13.1%	NA	1.9	NA	\$103.2	\$67.8	-34.3%	459	416	-9.4%
Non-US NATO Total	1.8	1.8	-3.3%	NA	1.9	NA	\$492.4	\$379.2	-23.0%	3,767	2,490	-33.9%
Japan	0.0	0.0	NA	NA	0.0	NA	\$96.5	\$134.1	38.9%	45	44	-2.2%
Republic of Korea	0.0	0.0	NA	NA	0.8	NA	\$1.3	\$1.2	-4.4%	27	32	18.5%
Pacific Allies Total	0.0	0.0	NA	NA	0.1	NA	\$97.8	\$135.3	38.4%	72	76	5.6%
Bahrain	2.8	2.8	0.0%	NA	0.0	NA	\$0.1	\$0.0	-22.8%	0	0	0.0%
Kuwait	1.5	1.5	0.0%	NA	0.0	NA	\$0.5	\$0.4	-11.9%	0	0	0.0%
Oman	1.0	1.0	0.0%	NA	0.0	NA	\$0.2	\$0.1	-49.0%	0	0	0.0%
Qatar	1.4	1.4	0.0%	NA	0.0	NA	\$0.1	\$0.1	52.3%	0	0	0.0%
Saudi Arabia	0.3	0.3	0.0%	NA	0.0	NA	\$5.1	\$1.7	-67.1%	0	0	0.0%
United Arab Emirates	0.4	0.4	0.0%	NA	0.0	NA	\$0.7	\$0.4	-43.5%	0	0	0.0%
GCC Total	0.6	0.6	0.0%	NA	0.0	NA	\$6.6	\$2.7	-58.4%	0	0	0.0%
GRAND TOTAL	1.0	1.0	0.0%	NA	1.0	NA	\$884.9	\$820.4	-7.3%	4,476	3,149	-29.6%

Yearly data rounded. Percent change calculated using non-rounded figures.

NA (Not Available)